UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-K

(Mark One)

x **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 2017
or

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from to
Commission file number 1-34736

SEMGROUP CORPORATION
(Exact name of registrant as specified in its charter)

Delaware	**20-3533152**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

Two Warren Place
6120 S. Yale Avenue, Suite 1500
Tulsa, OK 74136-4231
(918) 524-8100
(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)
Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	**Name of Each Exchange on Which Registered**
Class A Common Stock, par value $0.01 per share	**New York Stock Exchange**

Securities registered pursuant to Section 12(g) of the Act:
None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes x No o
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes o No x
Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No o
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No o
Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer x	**Accelerated filer o**
Non-accelerated filer o (Do not check if a smaller reporting company)	
	Smaller reporting company o
	Emerging growth company o

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. **o**

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No x
The aggregate market value of the registrant's Class A and Class B Common Stock held by non-affiliates at June 30, 2017, was $1,774,066,887, based on the closing price of the Class A Common Stock on the New York Stock Exchange on June 30, 2017.
At January 31, 2018, there were 78,672,995 shares of Class A Common Stock and 0 shares of Class B Common Stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's Proxy Statement to be filed pursuant to Regulation 14A of the Securities Exchange Act of 1934, in connection with the registrant's Annual Stockholders' Meeting to be held on May 16, 2018, are incorporated by reference into Part III of this Form 10-K.

SEMGROUP CORPORATION AND SUBSIDIARIES
FORM 10-K—2017 ANNUAL REPORT

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Cautionary Note Regarding Forward-Looking Statements

Certain matters contained in this Form 10-K include “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). We make these forward-looking statements in reliance on the safe harbor protections provided under the Private Securities Litigation Reform Act of 1995.

All statements, other than statements of historical fact, included in this Form 10-K regarding the prospects of our industry, our anticipated financial performance, management’s plans and objectives for future operations, planned capital expenditures, business prospects, outcome of regulatory proceedings, market conditions, and other matters, may constitute forward-looking statements. In addition, forward-looking statements generally can be identified by the use of forward-looking words such as “may,” “will,” “expect,” “intend,” “estimate,” “foresee,” “project,” “anticipate,” “believe,” “plans,” “forecasts,” “continue” or “could” or the negative of these terms or variations of them or similar terms. Although we believe that the expectations reflected in these forward-looking statements are reasonable, we cannot assure you that these expectations will prove to be correct. These forward-looking statements are subject to certain known and unknown risks and uncertainties, as well as assumptions that could cause actual results to differ materially from those reflected in these forward-looking statements. Factors that might cause actual results to differ include, but are not limited to, those discussed in Item 1A of this Form 10-K, entitled “Risk Factors,” risk factors discussed in other reports that we file with the Securities and Exchange Commission (“SEC”), and the following:

- Our ability to generate sufficient cash flow from operations to enable us to pay our debt obligations and our current and expected dividends or to fund our other liquidity needs;
- Any sustained reduction in demand for, or supply of, the petroleum products we gather, transport, process, market and store;
- The effect of our debt level on our future financial and operating flexibility, including our ability to obtain additional capital on terms that are favorable to us;
- Our ability to access the debt and equity markets, which will depend on general market conditions and the credit ratings for our debt obligations and equity;
- The failure to realize the anticipated benefits of our acquisition of 100% of the equity interests in Buffalo Parent Gulf Coast Terminals LLC ("Buffalo Parent"), the parent company of Buffalo Gulf Coast Terminals LLC ("BGCT") and HFOTCO LLC, doing business as Houston Fuel Oil Terminal Company LLC (“HFOTCO”);
- Our ability to pay the second payment related to our HFOTCO acquisition and the consequences of our failing to do so;
- The loss of, or a material nonpayment or nonperformance by, any of our key customers;
- The amount of cash distributions, capital requirements and performance of our investments and joint ventures;
- The consequences of any divestitures of non-strategic operating assets or divestitures of interests in some of our operating assets through partnerships and/or joint ventures;
- The amount of collateral required to be posted from time to time in our purchase, sale or derivative transactions;
- The impact of operational and developmental hazards and unforeseen interruptions;
- Our ability to obtain new sources of supply of petroleum products;
- Competition from other midstream energy companies;
- Our ability to comply with the covenants contained in our credit agreements, continuing covenant agreement and the indentures governing our notes, including requirements under our credit agreements and continuing covenant agreement to maintain certain financial ratios;
- Our ability to renew or replace expiring storage, transportation and related contracts;

- The overall forward markets for crude oil, natural gas and natural gas liquids;
- The possibility that the construction or acquisition of new assets may not result in the corresponding anticipated revenue increases;
- Any future impairment of goodwill resulting from the loss of customers or business;
- Changes in currency exchange rates;
- Weather and other natural phenomena, including climate conditions;
- A cyber attack involving our information systems and related infrastructure, or that of our business associates;
- The risks and uncertainties of doing business outside of the United States, including political and economic instability and changes in local governmental laws, regulations and policies;
- Costs of, or changes in, laws and regulations and our failure to comply with new or existing laws or regulations, particularly with regard to taxes, safety and protection of the environment;
- The possibility that our hedging activities may result in losses or may have a negative impact on our financial results; and
- General economic, market and business conditions.

New factors that could cause actual results to differ materially from those described in forward-looking statements emerge from time to time, and it is not possible for us to predict all such factors, or the extent to which any such factor or combination of factors, may cause actual results to differ from those contained in any forward-looking statement.

Readers are cautioned not to place undue reliance on any forward-looking statements contained in this Form 10-K, which reflect management's opinions only as of the date hereof. Except as required by law, we undertake no obligation to revise or publicly release the results of any revision to any forward-looking statements.

As used in this Form 10-K, and unless the context indicates otherwise, the terms the "Company," "SemGroup," "we," "us," "our," "ours," and similar terms refer to SemGroup Corporation, its consolidated subsidiaries, and its predecessors. We sometimes refer to crude oil, natural gas, natural gas liquids (natural gas liquids, or "NGLs," include ethane, propane, normal butane, iso-butane, and natural gasoline), refined petroleum products, and liquid asphalt cement, collectively, as "petroleum products" or "products."

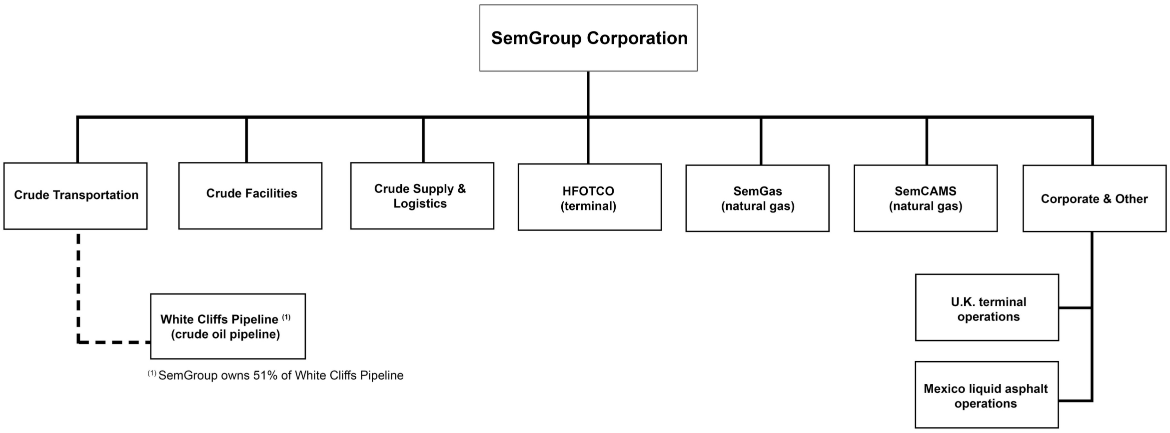
PART I

Items 1 and 2. *Business and Properties*

Overview

We provide gathering, transportation, storage, distribution, marketing and other midstream services primarily to producers, refiners of petroleum products and other market participants located in the Midwest and Rocky Mountain regions of the United States of America (the "U.S.") and Canada. We, or our significant equity method investees, have an asset base consisting of pipelines, gathering systems, storage facilities, terminals, processing plants and other distribution assets located in North American production and supply areas, including the Gulf Coast, Midwest, Rocky Mountain and Western Canadian regions. We also maintain and operate storage, terminal and marine facilities at Milford Haven in the United Kingdom (the "U.K.") and operate a network of liquid asphalt cement terminals throughout Mexico. The U.K. and Mexican asphalt operations are held for sale at December 31, 2017. On January 5, 2018, we entered into an agreement to sell our Mexican asphalt operations. On February 23, 2018, we entered into an agreement to sell our U.K. operations.

Our operations are conducted directly and indirectly through our primary operating segments. The following diagram is a simplified organizational chart of our primary business segments:



Company Information

Our principal executive offices are located at Two Warren Place, 6120 South Yale Avenue, Suite 1500, Tulsa, OK 74136-4231 and our telephone number is (918) 524-8100. Our website is www.semgroupcorp.com. Our Class A common stock trades on the New York Stock Exchange under the ticker symbol "SEMG." Our Annual Report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and all amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act, as well as proxy statements and other information we file with, or furnish to, the SEC are available free of charge on our website. We make these documents available as soon as reasonably practicable after we electronically file them with, or furnish them to, the SEC. The information contained on our website, or available by hyperlink from our website, is not incorporated into this Form 10-K or other documents we file with, or furnish to, the SEC. We intend to use our website as a means of disclosing material non-public information and for complying with our disclosure obligations under Regulation FD. Such disclosures will be included on our website in the "Investor Relations" sections. Accordingly, investors should monitor such portions of our website, in addition to following our press releases, SEC filings and public conference calls and webcasts.

In addition, we use social media to communicate with our investors and the public about our company, our businesses and our results of operations. The information we post on social media could be deemed to be material information. Therefore, we encourage investors, the media and the others interested in our company to review the information we post on the social media channels listed on our investor relations website.

Industry Overview

The market we serve, which begins at the source of production and extends to the crude oil refiner, is commonly referred to as the "midstream" market.

Crude Oil Midstream Market

Our crude oil business operates primarily in Colorado, Kansas, Louisiana, Minnesota, Montana, North Dakota, Oklahoma, Texas and Wyoming. Our assets include gathering systems in and around producing fields and transportation pipelines and trucks carrying crude oil to logistic hubs, such as the Cushing Interchange and Houston Ship Channel, where we have terminalling and storage facilities.

Gathering and Transportation

Pipeline transportation is generally the lowest cost method for shipping crude oil from the wellhead to logistic hubs or refineries. Crude oil gathering assets generally consist of a network of smaller diameter pipelines that are connected directly to the well site or central receipt points delivering into larger diameter trunk lines. Logistic hubs, like the Cushing Interchange, provide storage and connections to other pipeline systems and modes of transportation, such as railroads, trucks and barges. Trucking complements pipeline gathering systems by gathering crude oil from operators at remote wellhead locations not served by pipeline gathering systems. Trucking is generally limited to low volume, short haul movements because trucking costs escalate sharply with distance, making trucking the most expensive mode of crude oil transportation.

Storage Terminals and Supply

Storage terminals complement the crude oil pipeline gathering and transportation systems and address a fundamental imbalance in the energy industry: crude oil is generally produced in different locations and at different times than it is ultimately consumed.

Terminals are facilities in which crude oil is transferred to or from a storage facility or transportation system, such as a gathering pipeline, to another transportation system, such as trucks or another pipeline. Terminals play a key role in moving crude oil to end-users, such as refineries, by providing the following services:

- inventory management;
- distribution; and
- blending to achieve marketable grades or qualities of crude oil.

Overview of Cushing Interchange

The Cushing Interchange is one of the largest crude oil marketing hubs in the U.S. and is the designated point of delivery specified in NYMEX crude oil futures contracts. The Cushing Interchange has multiple inbound and outbound pipeline interconnections and shell capacity of over 91 million barrels. As the NYMEX delivery point and a cash market hub, the Cushing Interchange serves as a significant source of refinery feedstock for Midwest refiners and plays an important role in establishing and maintaining markets for many varieties of crude oil.

Port of Houston and the Houston Ship Channel Market

The Port of Houston (the "Port") is the largest port on the U.S. Gulf Coast, the biggest port in Texas and the only port in Houston. With more than 241 million tons of cargo moving through the Port annually, it has consistently been ranked 1st in the U.S. in foreign waterborne tonnage, imports, export tonnage and total tonnage. The Port consists of a 25-mile-long complex and is home to 150-plus private and public industrial terminals. It is home to the largest petrochemical complex in the nation and second largest in the world. The Houston Ship Channel, from which we operate, consists of a 52-mile waterway that services the Port.

Natural Gas Midstream Market

We operate natural gas gathering and processing assets in the U.S. and Canada. Gathering systems typically consist of a network of small diameter pipelines and compression systems that collect natural gas from producing wells and transport it to larger pipelines for further transmission to a gas processing plant.

In addition to water vapor, wellhead gas may contain impurities such as carbon dioxide, nitrogen, hydrogen sulfide, helium, oxygen and other inert components. These impurities must be removed from the gas stream to protect downstream equipment, prevent corrosion and meet downstream pipeline quality specifications. As natural gas is processed to remove unwanted elements that interfere with pipeline transportation, higher value natural gas liquids known as NGLs and condensate are separated from the raw natural gas stream. NGLs include ethane, propane, normal butane, iso-butane and natural gasoline. These products are used as petrochemical feedstock, heating and transportation fuels and refinery feedstock. Condensate is a mixture of petroleum products consisting primarily of pentanes and heavier liquids. It is used as refinery feedstock and as a diluent used to dilute crude bitumen so that it can be transported by pipeline or railcar.

Petroleum Products Storage Industry in the U.K.

Storage for refined products and crude oil is critical to the economy of the U.K. Fluctuations in supply and demand for crude oil and fuels, combined with changing flows of petroleum product production and refining capacity, means storage is necessary to balance supply and demand. Additionally, the possibility of disruptions due to weather, industry upsets, political tensions and terrorism have led industry participants to appreciate the significance of access to storage.

Mexican Asphalt Industry

Mexico's highway infrastructure is comprised of three main components: the federal network (which includes both toll and toll-free roads), the regional network and the rural network. The federal road system is the responsibility of the Mexican Transport and Communications Ministry, while the regional and rural networks are the responsibility of state governments. These networks help establish the annual demand for asphalt. Asphalt demand can increase, or decline, at a pace comparable to the level of highway expansion and maintenance projects. Such projects rely on the availability of government concessions, continued public-private partnership undertakings and locally funded ventures.

Our Property, Plant and Equipment

We, or our significant equity method investee, have an asset base consisting of pipelines, gathering systems, storage facilities, terminals, processing plants and other distribution assets located in the U.S. and Canada, a storage terminal and marine facility in the U.K. and a network of liquid asphalt cement terminals throughout Mexico. See "Our Business Segments" below for a description of our consolidated assets.

Additionally, we hold an 11.78% ownership interest in the general partner of NGL Energy Partners LP ("NGL Energy")(NYSE: NGL) which is reported within Corporate and Other.

Recent Developments

Agreement to Sell Mexican Asphalt Business

On January 5, 2018, we entered into an agreement to sell our asphalt business, SemMaterials Mexico for an estimated $70 million, including a reimbursement of approximately $15 million of net working capital, subject to customary post-closing adjustments. The transaction is expected to close early in the second quarter of 2018, subject to the receipt of certain governmental approvals and the satisfaction of other customary closing conditions. We intend to use proceeds from the sale toward our capital raising plan associated with the acquisition of HFOTCO and to pre-fund capital growth projects.

$350 Million Private Placement of 7% Series A Convertible Preferred Shares

On January 19, 2018, we sold to certain institutional investors, in a private placement, an aggregate of 350,000 shares of our Series A Cumulative Perpetual Convertible Preferred Stock, par value $0.01 per share (the "Preferred Stock"), convertible into 10,606,061 shares (subject to adjustment) of our Class A common stock, for a cash purchase price of $1,000 per share of Preferred Stock and aggregate gross proceeds to us of $350 million. These proceeds will be used to repay amounts borrowed under our credit agreement, to fund growth capital expenditures and for general corporate purposes. Holders of the Preferred Stock (the "Holders") will receive quarterly distributions equal to an annual rate of 7.0% ($70.00 per share annualized) of $1,000 per share of Preferred Stock, subject to certain adjustments (the "Liquidation Preference"). With respect to any quarter ending on or prior to June 30, 2020, we may elect, in lieu of paying a distribution in cash, to have the amount that would have been payable if such dividend had been paid in cash added to the Liquidation Preference. On or after the eighteen month anniversary of January 19, 2018, the Holders may convert their shares of Preferred Stock into a number of shares of our Class A common stock equal to, per Preferred share, the quotient of the Liquidation Preference divided by $33.00, subject to certain adjustments including customary anti-dilution adjustments. On or after January 19, 2021, if the Holders have not elected to convert all of their shares of Preferred Stock, we may cause, under certain circumstances, the outstanding shares of Preferred Stock to be converted into shares of our Class A common stock. Holders are entitled to vote on all matters on which the holders of shares of our Class A common stock are entitled to vote and will, in general, vote together with the holders of shares of our Class A common stock as a single class. Each Holder shall be entitled to a number of votes equal to the number of votes such Holder would have had if all shares of Preferred Stock held by such Holder had been converted into shares of our Class A common stock.

Agreement to Sell U.K. Business

On February 23, 2018, we entered into an agreement to sell our U.K. operations, SemLogistics, for an estimated $71.5 million. In addition to the sale price, the agreement provides for potential earnout payments to be made to SemGroup if certain revenue targets are met in the four years following close of the transaction. SemGroup intends to use proceeds from the sale toward its capital raise plan and to pre-fund capital growth projects. The sale is expected to close by the end of the third quarter of 2018.

Business Strategy

Our principal business strategy is to use our assets and operational expertise to:

- move and store petroleum products throughout the U.S. and Canada;
- provide consistently reliable high-quality midstream services under predominantly fee and margin-based contractual arrangements;
- mitigate commodity price risk exposure;
- aggressively manage operating costs to maintain and improve operating margins;
- expand business by improving, enhancing and expanding services at existing facilities and gaining new customers;
- pursue complementary “bolt-on” growth opportunities having acceptable risks and returns; and
- generate consistent operating margins, earnings and cash flows.

Our Business Segments

We conduct our core business through six business segments:

- Crude Transportation;
- Crude Facilities;
- Crude Supply and Logistics;
- HFOTCO;
- SemGas; and
- SemCams.

Our Mexico and U.K. operations are considered non-core and are reported within Corporate and Other. For information relating to revenue and total assets for each segment, refer to Note 7 of our consolidated financial statements beginning on page F-1 of this Form 10-K.

The following sections present an overview of our business segments, including information regarding the principal business and services rendered, assets and operations and markets and competitive strengths. Our results of operations and financial condition are subject to a variety of risks. For information regarding our key risk factors, see “Item 1A. Risk Factors.”

Crude Transportation

Crude Transportation operates crude oil pipelines and a truck transportation business in the U.S.

Assets and Operations

- a 455-mile crude oil gathering and transportation pipeline system with over 720,000 barrels of associated storage capacity in Kansas and northern Oklahoma that is connected to several third-party pipelines and refineries;
- the Wattenberg Oil Trunkline ("WOT"), a 75-mile, 12-inch diameter crude oil gathering pipeline system that transports crude oil from production facilities in the DJ Basin to the pipeline owned by White Cliffs Pipeline, L.L.C. ("White Cliffs"). The WOT has a capacity of approximately 60,000 barrels per day as well as 360,000 barrels of operational storage;
- a crude oil trucking fleet of over 215 transport trucks and 210 trailers;
- a 51% ownership interest in White Cliffs, which owns two parallel 527-mile, 12" common carrier, crude oil pipelines, that transport crude oil from Platteville, Colorado to Cushing, Oklahoma (the "White Cliffs Pipeline") that we operate; and
- Maurepas Pipeline ("Maurepas"), consisting of three pipelines, with an aggregate of 106 miles of pipe, which services refineries in the Gulf Coast region.

Competition. Competition for crude oil volumes is primarily based on reputation, commercial terms, reliability, interconnectivity, location and available capacity.

Crude Facilities

Crude Facilities operates a crude oil storage and terminal business in the U.S.

Assets and Operations

- a crude oil storage facility in Cushing, Oklahoma with a capacity of over 7.6 million barrels, of which 6.5 million barrels are leased to customers and 1.1 million barrels are used for crude oil operations, blending and marketing activities; and
- a 30-lane crude oil truck unloading facility with 350,000 barrels of associated storage capacity in Platteville, Colorado which connects to the origination point of the White Cliffs Pipeline.

General. We own and operate 33 crude oil storage tanks in Cushing with an aggregate storage capacity of approximately 7.6 million barrels, of which 6.5 million barrels are leased to customers and 1.1 million barrels are used for crude oil operations, blending and marketing activities. Our storage terminal has inbound connections with the White Cliffs Pipeline from Platteville, Colorado, the Great Salt Plains Pipeline from Cherokee, Oklahoma, the Cimarron Pipeline from Boyer, Kansas and two-way connections with all of the other major storage terminals in Cushing. Connection with this terminal provides our customers with access to multiple pipelines outbound from Cushing. Our Cushing terminal also includes truck unloading facilities.

All of our Cushing storage tanks have been built since the beginning of 2008 and had a weighted average age of 7.47 years as of December 31, 2017. The design and construction of our storage tanks meets the specifications established by the American Petroleum Institute in API 650 which establishes minimum requirements for material, design, fabrication, erection and testing of welded tanks for oil storage and includes seismic considerations. Our storage tanks also undergo regular maintenance and inspection programs, and we believe that these design specifications and maintenance and inspection programs reduce our maintenance capital expenditures.

Competition. Competition for crude oil storage customers is intense and is based primarily on price, access to supply, access to logistics assets, distribution capabilities, the ability to meet regulatory requirements and maintaining the quality of service and customer relationships. Our major competitors in Cushing include Blueknight Energy Partners, L.P., Enbridge Energy Partners, L.P., Enterprise Products Partners L.P., Magellan Midstream Partners, L.P. and Plains All American Pipeline, L.P.

Growth Opportunities. We have 100 acres of additional land, as well as additional infrastructure, which we believe will be sufficient to increase our storage capacity in Cushing by approximately six million barrels in the future. Our Platteville facility is designed to allow for expansion as production from the DJ Basin and Niobrara Shale increases.

Crude Supply and Logistics

Crude Supply and Logistics operates a crude oil marketing business in the U.S.

Assets and Operations

Crude Supply and Logistics uses Crude Transportation and Crude Facilities assets for marketing purposes. In addition, Crude Supply and Logistics' assets include approximately 61,800 barrels of crude oil storage capacity in Trenton and Stanley, North Dakota. In addition, we have leased capacity arrangements with certain pipelines, including White Cliffs.

General. We mitigate the commodity price exposure of our crude oil marketing operations by limiting our net open positions through: (i) the concurrent purchase and sale of like quantities of crude oil to create "back-to-back" transactions intended to lock in positive margins based on the timing, location or quality of the crude oil purchased and delivered; or (ii) derivative contracts. All marketing activities are subject to our Comprehensive Risk Management Policy, a Delegation of Authority policy, and their supporting policies and procedures (collectively, the "Risk Governance Policies"), which establish limits in order to attempt to manage risk and mitigate financial exposure.

Our crude oil purchases in our marketing operations are made at prices that are typically based on published or "posted" prices, plus or minus a differential. The differential is determined based on the grade of oil produced, transportation costs and competitive factors. Both the price and the differential change in response to market conditions. Posted prices can change daily and differentials, in general, can change every 30 days as contracts renew. We sell crude oil primarily to refiners and other resellers in various types of sale and exchange transactions, at market prices for terms ranging from one to twelve months.

HFOTCO

HFOTCO stores, blends and transports refinery products and refinery feedstocks via pipeline, barge, rail, truck and ship. HFOTCO operates a residual fuel oil storage terminal in the U.S. Gulf Coast.

Assets and Operations

HFOTCO owns and operates the following assets:

- approximately 16.8 million barrels of storage;
- over 300 acres at the mouth of the Houston Ship Channel;
- four deep-water ship docks capable of loading/unloading Suezmax cargo vessels, with a fifth ship dock currently under construction;
- seven barge docks which can accommodate 23 barges simultaneously;
- three crude oil pipelines connecting to four refineries; and
- numerous rail and truck land loading spots.

Revenue

We provide integrated storage, throughput and ancillary services for our customers. We generate revenues through the provision of fee-based services to our customers under a combination of multi-year and month-to-month agreements. The agreements contain "take-or-pay" provisions, whereby we are entitled to a minimum storage or throughput fee. We recognize revenue when the service is provided, the products and feedstocks are handled or when the customer's ability to make up the minimum volume has expired, in accordance with the terms of the contracts.

Strengths

We are strategically situated on prime real estate on the Houston Ship Channel providing us close proximity to both supply sources (residual fuel oil from refineries and domestic and foreign crude oil) and demand sources (area refineries, third-party pipelines and waterborne export). Our crude oil capacity and connectivity has more than doubled in the last 5 years, including the addition of crude oil export capabilities. Our business is supported by take-or-pay contracts with primarily investment grade counterparties that have been customers for an average of 15 years. Our customers include refiners, producers and independent commodity trading firms that rely on us for storage, blending and timely delivery of crude oil and heated products to be used as feedstocks, exports or marine bunker.

SemGas

SemGas provides natural gas gathering, processing and marketing services. SemGas aggregates gas supplies from the wellhead and provides various services to producers that condition the wellhead gas production for downstream markets.

Assets and Operations

SemGas owns and operates the following assets in Oklahoma:

- Rose Valley plant, with 400 million cubic feet per day processing capacity; approximately 46,000 horsepower residue compression and approximately 7,200 barrels of storage;
- Hopeton plant, with 125 million cubic feet per day processing capacity; approximately 7,000 horsepower residue compression and approximately 28,660 barrels of storage;
- Nash plant, with 40 million cubic feet per day processing capacity; approximately 3,100 horsepower residue compression and approximately 5,850 barrels of storage;
- approximately 660 miles of low pressure gathering lines and approximately 140 miles of high pressure gathering lines in Northeastern Oklahoma; and
- a 53-mile, high pressure gathering pipeline (the "Canton pipeline"), located in the STACK play with a capacity of 200 million cubic feet per day and backed by firm commitments from an investment-grade counterparty.

SemGas owns and operates the following assets in Texas:

- Sherman plant with 30 million cubic feet per day processing capacity; approximately 1,800 horsepower residue compression and approximately 12,200 barrels of storage; and
- approximately 210 miles of gathering lines.

In addition to the above plants and gathering lines, approximately 660,000 acres are dedicated to SemGas from several area producers in the Mississippi Lime Play, as well as an additional 20,000 acre, long-term dedication in the STACK.

Revenue and Marketing

SemGas generates revenue from a portfolio of contracts. Initial contract terms can range from monthly and interruptible to the life of the reserves and, upon expiration, continue to renew on a month-to-month or year-to-year evergreen basis. These agreements are a combination of percent of proceeds and fee-based contracts for processing and gathering services. Our SemGas customers include producers, operators, marketers and traders.

Market and Competitive Strengths

Because the Mississippi Lime and STACK Plays are primarily crude oil plays with associated natural gas and natural gas liquids, SemGas' gathering and processing volumes can be impacted by market demand for the products it handles, as well as the price for crude oil. Gathering and processing activities are also reliant on continued drilling and production activity by producers in our areas of operation.

We face competition in acquiring new natural gas supplies. The natural gas gathering and processing industry is generally characterized by regional competition, based on the proximity of gathering systems and processing plants to natural gas producing wells. SemGas' gathering and processing assets tend to have relatively long-term contracts and, in some instances, are the only assets that can provide the offered services to the customers. Our SemGas northern Oklahoma assets have natural gas take away capacity on Southern Star Central Gas Pipeline, Panhandle Eastern Pipeline and Enable Midstream Partners and natural gas liquids take away capacity to ONEOK Hydrocarbon LP.

SemCAMS

SemCAMS owns and operates natural gas processing and gathering facilities in Alberta, Canada. The principal process performed at the processing plants is to remove contaminants and render the gas saleable to downstream pipelines and markets. At our sour gas plants we also "sweeten" sour natural gas by removing sulfur.

Assets and Operations

SemCAMS operates and owns:

- varying working interests in two sour natural gas processing plants known as the Kaybob South No. 3 plant (the "K3 Plant") and the Kaybob Amalgamated plant (the "KA Plant"). The sour gas plants are dually connected to two major long-haul natural gas pipelines that serve Canada and the U.S. The plants also have the ability to load certain products for transportation by truck and railcar;
- varying working interests in two sweet gas plants known as the West Fox Creek plant and the West Whitecourt plant;
- a combined operating capacity for the above four processing plants of 695 million cubic feet per day;
- a network of approximately 600 miles of natural gas gathering and transportation pipelines;
- a sour gas processing plant under construction in the Wapiti area of the Montney play in Alberta ("Wapiti Plant"), with a capacity of 200 million cubic feet per day. Construction is expected to be completed in mid-2019; and
- a sour gas processing plant under construction in the Kaybob area of the Duvernay and Montney plays in Alberta ("Smoke Lake Plant"), with an initial capacity of 60 million cubic feet per day and supported by recently signed long-term processing agreements with two area operators. Construction is expected to be completed in late 2019.

Revenue and Marketing

SemCAMS generates revenue from the processing plants through volumetric fees for services under contractual arrangements with working interest owners and third-party customers and the pass through of certain operating costs. SemCAMS does not have direct exposure to commodity prices. In addition, SemCAMS generates fee-based revenue from volume throughput on its pipelines. SemCAMS' customers include producers of varying sizes.

SemCAMS also derives revenue as the owner and operator of pipeline gathering systems that gather gas from multiple wells located in the same production unit and as the owner and operator of pipeline transportation systems that deliver the gathered gas to each plant.

To support operations at our plants, several producers have committed to process all of their current and future natural gas production from lands owned by them, or their subsequent assignees. This dedication continues until field depletion.

Market and Competitive Strengths

Natural gas is used for a variety of purposes in Canada including heating, electricity production and other industrial processes. All of SemCAMS' assets are located in the Montney and Duvernay Plays of the Western Canadian Sedimentary Basin. These formations have a very high liquid content associated with the gas production. It is these liquids, and primarily the condensate, that producers are pursuing as the condensate is the main diluent used for oil sands production.

Other businesses

We own and operate approximately 8.7 million barrels of above ground multi-product storage tanks and two deep water jetties in the U.K. and 12 asphalt cement terminals and modification facilities and two marine terminals in Mexico. Both businesses are held for sale at December 31, 2017. On January 5, 2018, we entered into a definitive agreement to sell our Mexican asphalt business for an estimated $70 million, including a reimbursement of approximately $15 million of net working capital, subject to customary post-closing adjustments. We expect the sale to close in the second quarter of 2018. On February 23, 2018, we entered into an agreement to sell our U.K. operations, SemLogistics, for an estimated $71.5 million. We expect the sale to close by the end of the third quarter of 2018.

Risk Governance

We expect to generate the majority of our earnings from owning and operating strategic assets while endeavoring to prudently manage all risks, including commodity price risk, associated with the ownership and operation of our assets. We have Risk Governance Policies that reflect an enterprise-wide approach to risk management and consider both financial and non-financial risks.

Our Board of Directors is responsible for the oversight of our enterprise-wide risk and has approved our Risk Governance Policies. The Risk Governance Policies are designed to ensure we:

- identify and communicate our risk appetite and risk tolerances;
- establish an organizational structure that prudently separates responsibilities for executing, valuing and reporting our business activities;
- value (where appropriate), report and manage all material business risks in a timely and accurate manner;
- effectively delegate authority for committing our resources;
- foster the efficient use of capital and collateral; and
- minimize the risk of a material adverse event.

The Audit Committee of our Board of Directors has oversight responsibilities for the implementation of, and compliance with, our Risk Governance Policies.

Our Executive Management Committee, comprised of corporate officers, oversees the financial and non-financial risks associated with all activities governed by our Risk Governance Policies including:

- asset operations;
- marketing;
- investments, divestitures, and other capital expenditures and dispositions;
- credit risk management; and
- other strategic activities.

We also have a Risk Management Group that is assigned responsibility for independently monitoring compliance with, reporting on, and enforcing the provisions of our Risk Governance Policies.

Collectively, our Risk Governance Policies provide a set of limits or thresholds for activities related to owned assets, physical commodities, and derivatives and capital transactions involving market and credit risk. Our limits monitor these risks for each individual segment and on a consolidated basis. Our Risk Governance Policies also specify the types of transactions that may be executed by incumbents of named positions without specific approval of our Board of Directors or our Executive Management Committee.

Competition

We face intense competition in the operations of each of our segments. Our competitors include other midstream companies, major integrated oil companies and their marketing affiliates, crude oil pipeline companies and independent gatherers, brokers and marketers of petroleum products of widely varying sizes, financial resources and experience. Some of these competitors have capital resources many times greater than ours and control greater supplies of crude oil and petroleum products. Competition for customers of petroleum products is based primarily on price, access to supply, access to logistical assets, distribution capabilities, the ability to meet regulatory requirements and maintenance of quality of service and customer relationships.

Operational Hazards and Insurance

Pipelines, terminals, storage tanks, processing plants or other facilities may experience damage as a result of an accident, natural disaster or deliberate act. These hazards can also cause personal injury and loss of life, severe damage to, and destruction of, property and equipment, pollution or environmental damage and suspension of operations. Through the services of a major national insurance broker, we have maintained insurance of various types and varying levels of coverage similar to that maintained by other companies in the industry and which we consider adequate, under the circumstances, to cover our operations and properties, including coverage for natural catastrophes, pollution related events and acts of terrorism and sabotage. The limit of operational insurance maintained covering loss of, or damage to, property and products is $400 million per loss and includes business interruption loss, excluding HFOTCO. A separate limit of $100 million per loss, including business interruption, is in place for HFOTCO. For claims arising under general liability, automobile liability and excess liability, the limits maintained total $250 million per occurrence/claim, except HFOTCO, which has an additional limit of $10 million per occurrence/claim. Primary and excess liability insurance limits maintained for pollution liability claims vary by location for claims arising from gradual pollution with limits ranging from $20 million to $40 million in the aggregate, except HFOTCO, which has an additional limit of $10 million. The combined primary and excess liability insurance limits for claims arising from sudden and accidental pollution total $270 million per claim, except HFOTCO, which has an additional $10 million per claim and aggregate limit. This insurance does not cover every potential risk associated with the operating pipelines, terminals and other facilities. We have a favorable claims history enabling us to self-insure the “working layer” of loss activity using deductibles and self-insured retentions commensurate with our financial abilities and in line with industry standards, in order to create a more efficient and cost effective program and a consistent risk profile. The working layer consists of high frequency/low severity losses that are best retained and managed in-house. Sizable or difficult self-insured claims or losses may be handled by professional adjusting firms hired by us. We will continue to monitor the appropriateness of our deductibles and retentions as they relate to the overall cost and scope of our risk and insurance program.

With a few limited exceptions, our customers have not agreed to indemnify us for losses arising from a release of petroleum products, and we may instead be required to indemnify our customers in the event of a release or other incident.

Regulation

General

Our operations are subject to extensive regulation. The following discussion of certain laws and regulations affecting our operations should not be relied on as an exhaustive review of all regulatory considerations affecting us, due to the myriad of complex federal, state, provincial, foreign and local regulations that may affect our business.

Regulation of U.S. Transportation Operations

Interstate Transportation

The White Cliffs Pipeline is subject to regulation by the Federal Energy Regulatory Commission ("FERC") because it is a common carrier pipeline that transports crude oil in interstate commerce. Under the Interstate Commerce Act ("ICA") and the rules and regulations promulgated under those laws, tariff rates for interstate service on common carrier oil pipelines, including such pipelines that transport crude oil and petroleum products, must be just and reasonable and must not be unduly discriminatory or confer any undue preference upon any shipper. FERC regulations require that transportation rates and terms and conditions of service be filed with FERC and posted publicly.

The ICA permits interested persons to challenge new or changed rates or rules and authorizes FERC to investigate such changes and to suspend their effectiveness for a period of up to seven months. If, upon completion of an investigation, FERC finds that the new or changed rate is unlawful, it may require the pipeline to refund the revenues, together with interest in excess of the prior tariff during the term of the investigation. FERC may also investigate, upon complaint or on its own motion, rates and related rules that are already in effect and may order a pipeline to change them prospectively. Upon an appropriate showing, a shipper may obtain reparations and refunds for a period of up to two years prior to the filing of its complaint.

Gathering and Intrastate Pipeline Regulation

The ICA does not address gathering and natural gas gathering is generally exempt from regulation by FERC under the Natural Gas Act (the "NGA"). We own a number of natural gas pipelines that we believe operate wholly intrastate and are, therefore, exempt from FERC regulation under the NGA. We cannot provide assurances that we will not be subject to regulation by FERC in the future.

In the states in which we operate, regulation of intrastate natural gas generally includes various safety, environmental and, in some circumstances, nondiscriminatory take requirements and complaint-based rate regulation. For example, our natural gas gathering facilities are, in some cases, subject to state ratable take and common purchaser statutes. Ratable take statutes generally require gatherers to take, without undue discrimination, natural gas production that may be tendered to the gatherer for handling. Common purchaser statutes generally require gatherers to purchase without undue discrimination as to source of supply or producer. These statutes are designed to prohibit discrimination in favor of one producer over another producer or one source of supply over another source of supply. These statutes have the effect of restricting our right, as an owner of gathering facilities, to decide with whom we contract to purchase or transport natural gas.

HFOTCO operates facilities whose operations include the pumping, metering and transferring of crude oil via intrastate pipeline. The pipelines are regulated by the U.S. Department of Transportation (the “DOT”), the Pipeline and Hazardous Materials Safety Administration ("PHMSA") and the Texas Rail Road Commission ("TRRC").

Department of Transportation

Interstate pipelines and certain intrastate pipelines are subject to regulation by the DOT and the PHMSA with respect to the design, construction, operation and maintenance of the pipeline systems. The PHMSA routinely conducts audits of the regulated assets and we must make certain records and reports available to the PHMSA for review as required by the Secretary of Transportation. In some states, the PHMSA has given a state agency authority to assume all or part of the regulatory and enforcement responsibility over the intrastate assets. The majority of our pipelines are regulated by the PHMSA.

Trucking Regulation

Through our business segment, Crude Transportation, we operate a fleet of trucks to transport crude oil. We are licensed to perform both intrastate and interstate motor carrier services and are subject to certain safety regulations issued by the DOT. These regulations include both those concerning the transportation of hazardous materials under the PHMSA, as well as those under the Federal Motor Carrier Safety Administration ("the FMCSA"). DOT regulations cover, among other things, driver operations, maintaining log books, truck manifest preparations, the placement of safety placards on the trucks and trailer vehicles, drug and alcohol testing, safety of operation and equipment and many other aspects of truck operations.

Cross-Border Regulation

We are subject to regulatory matters specific to border crossing, which include export licenses, tariffs, customs and tax issues and toxic substance certifications. Regulations include the Short Supply Controls of the Export Administration Act, the North American Free Trade Agreement, National Energy Board Reporting and Certification and the Toxic Substances Control Act. Violations of license, tariff and tax reporting requirements under these regulations could result in the imposition of significant administrative, civil and criminal penalties. Furthermore, the failure to materially comply with applicable tax requirements could lead to the imposition of additional taxes, interest and penalties.

Regulation of Canadian Gathering, Processing, Transportation and Marketing Businesses

National Energy Board (“NEB”)

Our Canadian assets are not currently regulated by the NEB. The importation and exportation of natural gas and crude oil to and from Canada, however, is regulated by the NEB. The Government of Alberta tracks volumes exported from Alberta and reserves the right to limit the volume of natural gas that may be removed from Alberta in the event of domestic supply constraint.

Alberta Energy Regulator (“AER”)

The AER’s purpose is to ensure that the discovery, development and delivery of Alberta’s resources take place in an orderly and efficient manner and in the public interest.

Among other matters, the AER has the authority to regulate the exploration, production, gathering, processing, transmission and distribution of natural gas within the province. With respect to natural gas gathering and processing activities, the AER’s primary role is to serve as a licensing authority for the construction and operation of the facilities used in those activities.

While the AER has jurisdiction to regulate the rates and fees charged for services provided by these types of facilities using a public complaint process, this authority is discretionary and historically has not commonly been exercised. Generally, the complaint-based method of regulation has meant that parties have had the opportunity to use alternative means to resolve disputes without resorting to the AER.

The AER also provides for the safe, efficient, orderly and environmentally responsible development of hydrocarbon resources over the entirety of their life cycle. In March of 2014, the AER assumed responsibility for the regulation of reclamation and remediation activities resulting from oil, gas and coal operations in the province, formerly under the purview of Alberta Environment and Sustainable Resource Development.

Sulphur Recovery Standards

In 2001, the AER's predecessor set stringent sulphur recovery standards for older sour gas processing plants, as set out in ID 2001-3. This interim directive directed older, “grandfathered” plants to either gradually increase their sulphur recovery to current standards or accept a reduction in their licensed capacity.

The K3 Plant and the KA Plant are capable of meeting “de-grandfathered” recovery requirements. The K3 Plant was “de-grandfathered” in 2006 after installation of a new Super Claus Sulphur recovery process. The KA Plant can be “de-grandfathered” via simple administrative application.

Other Provincial Regulatory Agencies

The Alberta Boilers Safety Association (“ABSA”) is the regulatory agency for pressure vessels and related systems in Alberta with a mandate to ensure that pressure equipment is constructed and operated in a manner that protects public safety. SemCAMS maintains an approved program for such requirements.

Regulation of U.K. Operations

In the U.K., the Department of Energy and Climate Change’s Energy Resources Development Unit is responsible for the regulation of a number of relevant areas, including licensing, national oil stocks policy (including their compulsory oil stocking obligations as a member of the European Union and International Energy Agency), policy on oil disposal, offshore environmental policy, oil sharing arrangements and decommissioning. Other regulatory bodies include the Health and Safety Executive, which regulates health and safety in the upstream and downstream oil industry (among others) and the Hazardous Installations Directorate, which is responsible for inspection and enforcement of health and safety regulation with respect to the downstream oil industry (among others). There is no regulator dedicated specifically to the oil industry. The activities of our U.K. operations may also be regulated as a result of the European Union’s participation in the International Carriage of Dangerous Goods by Road and Rail agreements, as well as the International Maritime Dangerous Goods Code, which governs the safe transport of dangerous goods (including oil) by sea. In Wales, the Marine & Fisheries are responsible for the implementation of European directives, such as the Marine Strategy Framework Directive ("MSFD"), which are to ensure that all European countries are working to a common goal and cooperating with each other to achieve it.

The Department for Environment Food and Rural Affairs is responsible for setting legislation, policy, regulations and guidance for a number of environmental issues. There are also several European and international laws and policies that apply. Our U.K. operations are regulated by Natural Resources Wales, which also oversees spills and their cleanup, as well as new construction of tanks, bunds (spill control berms or dikes in the U.S.) and other improvements, and whose regulations require us to maintain a Pollution Prevention and Control permit.

At a local level, our U.K. storage facility falls within the jurisdiction of the Milford Haven Port Authority (the “MHPA”). Under the Milford Haven Port Authority Act 2002, the MHPA has the power to publish directions for the purpose of promoting or securing conditions conducive to the ease, convenience or safety of navigation in Milford Haven and the approaches to it. MHPA also has powers and obligations under various regulations, including, among others, the Dangerous Substances in

Harbour Areas Regulations 1987 and the Harbour Docks and Piers Clauses Act 1847, as well as responsibility for the enforcement of the Port Marine Safety Code.

Control of Major Accident Hazards ("COMAH") Regulations came into force in the U.K. on June 1, 2015. The main COMAH duties stay the same as previously but there are some important changes, particularly on how dangerous substances are classified and information that has to be made available to the public.

Natural Resources Wales ("NRW") has required a review of the Terminal Environmental Permit to be carried out, following the publication of the revised Best Available Techniques ("BAT") Reference Document for the Refining of Mineral Oil and Gas. The associated BAT conclusions to this document were published on October 9, 2014, in the Official Journal of the European Union.

The permit review covers operational activities at the terminal that are relevant to the applicable BAT conclusions. In addition, the review will allow NRW to consolidate the original site permit to reflect changes made through earlier variations and bring the permit into line with NRW's modern regulatory template. This review will implement all updated and new European Legislation.

The Maritime Security is regulated by Department for Transport. Our U.K. operations include ensuring appropriate measures and people are in place to comply with the International Ship and Port Facility Security Code, which sets out maritime security standards, established by the International Maritime Organization. These standards are enforced through the Ship and Port Security Regulations (2004).

Our U.K. operations are currently in compliance with all environmental requirements.

Regulation of Mexican Operations

Our Mexico facilities are primarily engaged in the purchasing, production, modification, storage and distribution of liquid asphalt cement products throughout Mexico. These activities are subject to compliance with environmental laws and regulations under Mexican technical “Official Standards” and other provisions that establish requirements. Companies are required to obtain, from the federal, state and municipal authorities, the relevant permits and authorizations to construct and operate asphalt modification plants and carry out the activities described above.

Mexico’s Ministry of Communications and Transportation has published several construction standards establishing the specifications required for pavement surfaces conditions and asphalt products in connection with infrastructure projects, as well as certain manuals identifying the procedures for verifying compliance therewith. Our Mexico products are in compliance with all standards.

Mexico imposes similar requirements to those in the U.S. concerning water management, water resources and the protection of water quality. Our Mexico operations are currently in compliance with all such requirements.

Certain operations in Mexico require an air emissions license and reporting on a yearly basis the stack emissions to state environmental agencies. Mexico has national, state and local laws which regulate releasing hazardous substances or solid wastes into soils, groundwater and surface water. These regulations include taking measures to prevent and control pollution as well as the handling of hazardous waste. Our operations in Mexico are currently in compliance with all such air and hazardous materials and waste requirements.

Environmental, Health and Safety Regulation

General

Our operations, including Canadian, U.K. and Mexican operations, are subject to varying degrees of stringent and complex laws and regulations by multiple levels of government relating to the production, transportation, storage, processing, release and disposal of petroleum and natural gas based products and other materials or otherwise relating to protection of the environment, safety of the public and safety of employees. As with the industry generally, compliance with current and anticipated environmental laws and regulations increases our overall costs of business, including our capital costs to construct, maintain and upgrade pipelines, equipment and facilities. The failure to comply with these laws and regulations may result in the assessment of administrative, civil and criminal penalties, the imposition of removal or remedial obligations, and the issuance of injunctions limiting or prohibiting our activities. In addition, Canadian legislation requires that facility sites be abandoned and reclaimed to the satisfaction of provincial authorities and local landowners. A breach of such legislation may result in the imposition of fines and the issuance of clean-up orders.

The clear trend in environmental regulation, particularly with respect to petroleum product facilities, is the placement of more restrictions and limitations on activities that may affect the environment and, thus, any changes in environmental laws and regulations or re-interpretations of enforcement policies that result in costly waste handling, storage, transport, disposal or remediation requirements could have a material adverse effect on our operations and financial condition. We may be unable to pass on such increased costs to our customers. Moreover, accidental releases, leaks or spills may occur in the course of our operations and we may incur significant costs and liabilities as a result, including those related to claims for damage to property, natural resources or persons. While we believe that we are in substantial compliance with existing applicable environmental laws and regulations and that continued compliance with existing requirements would not have a material adverse effect on us, there is no assurance that the current conditions will continue in the future.

The following is a summary of the more significant current environmental, health and safety laws and regulations to which our operations are subject:

Water Discharges

Our operations can result in the discharge of pollutants, including oil. The Oil Pollution Act ("OPA") was enacted in 1990 and amends provisions of the Federal Water Pollution Control Act of 1972, as amended, the Clean Water Act, as amended, and other statutes as they pertain to prevention of, and response to, oil spills. The OPA, the Clean Water Act and analogous state, provincial and local laws, subject owners of facilities to strict, joint and potentially unlimited liability for containment and removal costs, natural resource damages and certain other consequences of an oil spill, where such spill is into navigable waters, along shorelines or in the exclusive economic zone of the U.S. In the event of an oil spill from one of our facilities into navigable waters, substantial liabilities could be imposed. Spill prevention, control and countermeasure requirements of these laws require appropriate containment berms or dikes and other containment structures at storage facilities to limit contamination of soils, surface waters and groundwater in the event of an oil overflow, rupture or leak.

The federal Clean Water Act and analogous state and local laws impose restrictions and strict controls regarding the discharge of pollutants into waters of the U.S. and state waters, including groundwater in many jurisdictions. Permits must be obtained to discharge pollutants into these waters. The Clean Water Act and analogous state and local laws provide significant penalties for unauthorized discharges and can impose liability for responding to and cleaning up spills. In addition, the Clean Water Act and analogous state and local laws require individual permits or coverage under general permits for discharges of storm water runoff from certain types of facilities. These permits may require us to monitor and sample the storm water runoff from certain of our facilities.

HFOTCO's operations are subject to OPA, the Federal Water Pollution Control Act of 1972, the Clean Water Act, the EPA's oil spill prevention program, which includes the Spill Prevention, Control and Countermeasure ("SPCC") and the Facility Response Plan ("FRP") rule pursuant to which HFOTCO is required to demonstrate our facility's preparedness to respond to a worst case oil discharge into navigable waters and prevention of, and response to, oil spills.

Similar measures are in place in Canada at both a federal and provincial level.

In addition, national, local and European Union regulations and directives in the U.K., and federal, state and local laws in Mexico, impose similar, but not necessarily always as stringent and detailed, requirements as in the U.S. concerning water resources and the protection of water quality, including those that regulate the discharge of pollutants and other harmful substances into water, require permits, impose clean-up obligations for spills and releases and impose fines and penalties for non-compliance. However, these countries continue to implement stricter requirements that approach the requirements in the U.S.

Air Emissions

Our operations are subject to the federal Clean Air Act, as amended, and comparable state and local laws, as well as the federal, provincial and local Canadian, U.K., European Union and Mexican laws applicable to our Canadian, U.K. and Mexican operations, although not necessarily always as stringent as found in the U.S., at least not presently. These laws and regulations regulate emissions of air pollutants from various sources, including certain of our plants, compression stations and other facilities, and impose various monitoring and reporting requirements. Pursuant to these laws and regulations, we may be required to obtain environmental agency pre-approval for the construction or modification of certain projects or facilities expected to produce or significantly increase air emissions, obtain and comply with the terms of air permits containing various emissions and operational limitations and use specific emission control technologies to limit emissions. We may be required to incur certain capital expenditures in the future for air pollution control equipment and leak detection and monitoring systems in connection with obtaining or maintaining operating permits and approvals for air emissions. There are significant potential monetary fines for violating air emission standards and permit provisions.

HFOTCO's petroleum products storage, marine dock, rail car and tank truck operations are authorized by TCEQ Non-Attainment New Source Review Air permit and the EPA'S Title V - Federal Operating permit. We are required to report air pollution emissions annually and certify compliance to the EPA semi-annually. We reduce air pollution emissions by meeting the EPA's Best Available Control Technology at our marine docks by using Marine Vapor Combustion, and meeting the Lowest Achievable Emission Rates by performing leak detection and monitoring quarterly.

SemCAMS conducts on-going air, soil and ground water monitoring in accordance with license requirements. SemCAMS is required to annually report all specified emissions from its major facilities in Canada to a publicly accessible National Pollutant Release Inventory database.

The facilities in Mexico are required to obtain an air emissions license at the initial start-up of facility operations and to annually report the stack emissions to the state environmental agency, assuring that such emissions comply with the National Official Standards.

Sour Gas

SemCAMS operates facilities which process and transport sour gas (gas containing hydrogen sulfide, generally at concentrations of 10 parts per million or more). Due to the highly toxic and corrosive nature of sour gas, sour gas handling is regulated in Canada, at both the provincial and federal level, from the wellhead to the point of disposal of the sulfur content removed from processing the sour gas. Environmental legislation can also affect the operations of facilities and limit the extent to which facility expansion is permitted. Proposed facilities are facing increased resistance from community groups which are, in turn, increasing demand for alternate sources of sweetening.

To protect the public, pipelines transporting sour gas are required to be equipped with monitoring stations and valves that automatically shut down the flow of the pipeline in response to sudden changes in pressure or detection of sour gas in the atmosphere. SemCAMS' sour gas pipelines are monitored 24 hours per day from a centralized pipeline control center and can be shut down by the attending operators. The distance between automatic pipeline valves is determined, based on regulated sour gas dispersion modeling, to meet approved emergency protection zone size and public exposure requirements. The integrity of the sour gas pipelines is maintained through the injection of corrosion inhibition chemicals on an on-going basis. SemCAMS' sour gas pipelines are inspected on a regular basis to ensure the integrity of the pipelines and associated facilities.

SemCAMS' sour gas plants have continuous sour gas detection equipment, as well as other safety systems which can automatically shut down and depressure the full plant to a controlled flare system. The plants are attended 24 hours per day and can also be shut down by attending operators.

At SemCAMS' sour gas processing plants, sulfur recovery and air quality are constantly monitored to ensure required sulfur recovery and emission standards are met. SemCAMS' licensed sulfur recovery is 98.4% for the KA plant and 98.5% for the K3 plant. Residual sulfur that cannot be removed by processing is incinerated to meet a minimum stack top temperature based on a regulator approved dispersion model.

Climate Change

In response to concerns that emissions of certain gases, commonly referred to as greenhouse gases ("GHGs") (including carbon dioxide and methane), are contributing to the warming of the earth's atmosphere and other climatic changes, the U.S. Congress has been considering legislation to reduce such emissions. In addition, a number of states, either individually or through multi-state regional initiatives, have begun implementing legal measures to reduce emissions of GHGs, primarily through the planned development of GHG emission inventories and/or GHG cap and trade programs. As an alternative to cap and trade programs, Congress may consider the implementation of a carbon tax program. Although we would not be impacted to a greater degree than other similarly situated midstream energy service providers, a stringent GHG control program could have an adverse effect on our cost of doing business and could reduce demand for the petroleum products we gather, process, transport, store and market.

HFOTCO reports GHG emissions as required by the EPA's Mandatory GHG Reporting rule annually.

In October 2016 Canada ratified the Paris Agreement putting in effect the pan-Canadian carbon-pricing framework. Although not specifically directed to the oil and gas industry, the carbon tax is applicable to all CO2 emissions. The pan-Canadian framework sets the price of carbon, which increases $10/t CO2e annually until it reaches $50/t in 2022. The objective of the pan-Canadian carbon-pricing framework is to reduce CO2 emissions to meet the reduction targets set under the Paris Agreement. The Canadian Federal government has deferred implementation of the carbon tax to the provinces, however where a provincial program is not in place to apply the carbon tax the Federal government can implement a process.

The province of Alberta is currently reviewing how the existing greenhouse gas emissions levy system can be expanded and adopted to meet the Federal pan-Canadian carbon pricing framework. The proposed system for the oil and gas industry will be intensity based with performance standards to incent additional CO2 reductions above and beyond the federal targets.

In June of 2012, Mexico's Ministry of the Environment and Natural Resources released the Climate Change Law with the objective to regulate greenhouse gases emissions.

Hazardous Substances and Wastes

The environmental laws and regulations affecting our operations relate to the release of hazardous substances or solid wastes into soils, groundwater and surface water, and include measures to prevent and control pollution. These laws and regulations generally regulate the generation, storage, treatment, transportation and disposal of solid and hazardous wastes, and may require investigatory and corrective actions at facilities where such waste may have been released or disposed. For instance, the Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA"), also known as the "Superfund" law, and comparable state laws, impose liability, without regard to fault or the legality of the original conduct, on certain classes of persons that contributed to a release of "hazardous substance" into the environment. Potentially responsible persons can include the current owner or operator of the site where a release previously occurred and companies that disposed, or arranged for the disposal, of the hazardous substances found at the site. Under CERCLA, these persons may be subject to joint and several liability for the costs of cleaning up the hazardous substances that have been released into the environment, for damages to natural resources and for the costs of certain health studies. CERCLA also authorizes the Environmental Protection Agency ("EPA") and, in some cases, third parties to take actions in response to threats to the public health or the environment and to seek to recover from the potentially responsible classes of persons the costs they incur. It is not uncommon for neighboring landowners and other third parties to file claims for personal injury and property damage allegedly caused by hazardous substances or other wastes released into the environment. Although "petroleum," as well as natural gas and NGLs, have been, for the most part, excluded from CERCLA's definition of a "hazardous substance", we may, in the course of ordinary operations, generate wastes that may fall within the definition of a "hazardous substance." In addition, there are other laws and regulations that can create liability for releases of petroleum, natural gas or NGLs. Moreover, we may be responsible under CERCLA or other laws for all or part of the costs required to clean up sites at which such wastes have been disposed.

We also generate, and may in the future generate, both hazardous and nonhazardous solid wastes that are subject to requirements of the federal Resource Conservation and Recovery Act ("RCRA") and/or comparable state laws. We are not currently required to comply with a substantial portion of the RCRA requirements because our operations generate minimal quantities of hazardous wastes as currently defined under RCRA. From time to time, the EPA and state regulatory agencies have considered the adoption of stricter disposal standards for nonhazardous wastes, including crude oil and natural gas wastes. Moreover, it is possible that some wastes generated by us that are currently classified as nonhazardous may, in the future, be designated as "hazardous wastes," resulting in the wastes being subject to more rigorous and costly management and disposal requirements. Changes in applicable laws or regulations may result in an increase in our capital expenditures, facility operating expenses or otherwise impose limits or restrictions on our operations.

National, provincial and local laws of Canada, Mexico, the U.K. and the European Union that are applicable to our operations also regulate the release of hazardous substances or solid wastes into soils, groundwater and surface water, and include measures to prevent and control pollution as well as the handling of hazardous waste. Some of the requirements are similar to those found under CERCLA and RCRA and some are not yet as stringent, but are becoming more so as the focus on these issues increases.

We currently own or lease, and have in the past owned or leased, and in the future we may own or lease, properties that have been used over the years for petroleum product operations. Solid waste disposal practices within the oil and natural gas and related industries have improved over the years with the passage and implementation of various environmental laws and regulations. Nevertheless, some petroleum products and other solid wastes have been disposed of on, or under, various properties owned or leased by us during the operating history of those facilities. In addition, a number of these properties may have been operated by third parties over whom we had no control as to such entities' handling of petroleum products or other wastes and the manner in which such substances may have been disposed of or released. These properties and wastes disposed thereon may be subject to CERCLA, RCRA and analogous state or Canadian federal or provincial laws. Under these laws, we could be required to remove or remediate previously disposed wastes or property contamination, including groundwater contamination, or to take action to prevent future contamination. In some instances, any such requirements may have been dealt with in the bankruptcy proceedings of our predecessor.

Employee Safety

We are subject to the requirements of the Occupational Safety and Health Administration ("OSHA"), as well as to comparable national, state, provincial and local, Canadian, Mexican, U.K. and European Union laws that are applicable to our Canadian, Mexican and U.K. operations, the purposes of which are to protect the health and safety of workers. In addition, the OSHA hazard communication standard and comparable state, Canadian federal and provincial statutes require us to organize and disclose information concerning hazardous materials used, produced or transported in our operations. Some of our facilities are subject to the OSHA Process Safety Management regulations that are designated to prevent or minimize the consequences of catastrophic releases of toxic, reactive, flammable or explosive chemicals.

HFOTCO is subject to the Maritime Transportation Security Act ("MTSA") of 2002, which combines international requirements and existing domestic policy on implementation of national maritime security.

SemCAMS facilities are also subject to regulation by ABSA. SemCAMS maintains its own compliance program, audited by ABSA, which addresses integrity, inspection and process safety management elements as required by legislation.

Hazardous Materials Transportation Requirements

The DOT regulations affecting pipeline safety require pipeline operators to implement measures designed to reduce the environmental impact of oil discharge from onshore oil pipelines. These regulations require operators to maintain comprehensive spill response plans, including extensive spill response training for pipeline personnel. In addition, the DOT regulations contain detailed specifications for pipeline operation and maintenance.

Similar requirements are in effect in Canada.

Anti-Terrorism Measures

The federal Department of Homeland Security Appropriations Act of 2007 requires the Department of Homeland Security (“DHS”), to issue regulations establishing risk-based performance standards for the security of chemical and industrial facilities, including oil and gas facilities that are deemed to present “high levels of security risk.” The DHS issued an interim final rule in April 2007 regarding risk-based performance standards to be attained pursuant to this act and, on November 20, 2007, further issued an Appendix A to the interim rules that establish chemicals of interest and their respective threshold quantities that will trigger compliance with the interim rules. To the extent our facilities are subject to existing or new rules, it is possible that the costs to comply with such rules could be substantial.

Title to Properties

Substantially all of our pipelines are constructed on rights-of-way granted by the record owners of the property. Lands over which pipeline rights-of-way have been obtained may be subject to prior liens that have not been subordinated to the right-of-way grants. We have obtained, where necessary, easement agreements from public authorities and railroad companies to cross over or under, or to lay facilities in or along, watercourses, county roads, municipal streets, railroad properties and state highways, as applicable. In some cases, property on which our pipeline was built was purchased in fee. Our processing plants and terminals are on real property owned or leased by us.

We believe that we have satisfactory title to all of the assets we own. Although title to such properties is subject to encumbrances in certain cases, such as customary interests generally retained in connection with acquisition of real property, liens related to environmental liabilities associated with historical operations, liens for current taxes and other burdens and minor easements, restrictions and other encumbrances to which the underlying properties were subject at the time of acquisition by us, we believe that none of these burdens will materially detract from the value of such properties or from our interest therein or will materially interfere with their use in the operation of our business.

Office Facilities

In addition to our gathering, storage, terminalling and processing facilities discussed above, we maintain corporate office headquarters in Tulsa, Oklahoma. All of the U.S. business segments use Tulsa as their center of operations, excluding HFOTCO whose center of operation is in Houston, Texas. Foreign business segments use their centers of operations, which are Calgary, Alberta for SemCAMS; Puebla, Mexico for our Mexico operations; and Milford Haven, Wales for our U.K. operations. Many of our business segments also have satellite offices located throughout North America. The current lease for our Tulsa headquarters expires in May 2022, and the other office leases have varying expiration dates. While we may require additional office space as our business expands, we believe that our existing facilities are adequate to meet our needs for the immediate future, and that additional facilities will be available on commercially reasonable terms as needed.

Employees

As of December 31, 2017, we had approximately 1,220 employees, including approximately 550 employees outside the U.S., in Canada, Mexico and the U.K. Approximately 125 of our employees in Canada and Mexico are represented by labor unions and subject to collective bargaining agreements governing their employment with us. Of that number, approximately 70 employees have collective bargaining agreements that renew annually and approximately 55 have collective bargaining agreements that expire in January 2019. We have never had a labor related work stoppage and believe our employee relations are good.

Item 1A. ***Risk Factors***

Our business faces many risks. We believe the risks described below identify the material risks we face. However, the risks described below may not be the only risks we face. Additional unknown risks, or risks that we currently consider immaterial, may also impair our business operations. If any of the events or circumstances described below actually occurs, our business, financial condition or results of operations could suffer, and the trading price of our shares of Class A Common Stock could decline significantly. Investors should consider the specific risk factors discussed below, together with other information contained in this report on Form 10-K and the other documents that we will file from time to time with the SEC.

Risks Related to Our Business

The instruments governing our indebtedness contain various covenants limiting the conduct of our business.

Our credit agreement, the indentures governing our senior notes and the instruments governing our other indebtedness and our Preferred Stock contain various restrictive covenants that limit the conduct of our business and our credit agreements require us to maintain certain financial ratios. These covenants and restrictions limit our ability to respond to changing business and economic conditions and may prevent us from engaging in transactions that might otherwise be considered beneficial to us. In particular, this agreement places certain limits on our ability to, among other things:

- incur additional indebtedness;
- incur liens;
- enter into sale and lease back transactions;
- make investments;
- pay dividends or distributions;
- make certain restricted payments;
- consummate certain asset sales;
- enter into certain transactions with affiliates; and
- merge, consolidate and/or sell or dispose of all, or substantially all, of our assets.

If we fail to comply with the restrictions in our credit agreement, the indentures governing our senior notes, or the instruments governing our other indebtedness or any other subsequent financing agreements, a default may allow the creditors, if the agreements so provide, to accelerate the related indebtedness as well as any other indebtedness to which a cross-acceleration or cross-default provision applies. If that occurs, we may not be able to make all of the required payments or borrow sufficient funds to refinance such debt. Even if new financing were available at that time, it may not be available on terms acceptable to us.

If we are unable to repay amounts outstanding under our credit agreement when due, the lenders thereunder could, subject to the terms of the agreement, seek to sell or otherwise transfer our assets granted to them as collateral to secure the indebtedness outstanding under the agreement. Substantially all of our assets have been pledged as collateral to secure our credit agreement. Substantially all of the assets of HFOTCO have been pledged as collateral to secure the indebtedness of HFOTCO. In addition, the lenders under our credit agreement and the HFOTCO credit agreement could choose to terminate any commitments to supply us with further funds.

Under certain economic conditions, our access to capital and credit markets may be limited, which may adversely impact our liquidity.

We may require additional funds from outside sources from time to time. Our ability to raise capital or arrange financing or renew existing facilities, along with the cost of such capital, is dependent upon a number of variables, including:

- general economic, financial and business conditions;

- industry specific conditions;
- credit availability from banks and other financial institutions;
- investor confidence in us;
- cash flow and earnings before interest, taxes, depreciation and amortization ("EBITDA") levels;
- competitive, legislative and regulatory matters; and
- provisions of tax and securities laws that may impact raising capital.

In addition, volatility in the capital markets may adversely affect our ability to access any available borrowing capacity under our revolving credit facility. Our access to these funds is dependent on the ability of the lenders to meet their funding obligations under this revolving facility. Lenders may not be able to meet their funding commitments if they experience shortages of capital and liquidity, resulting in a reduction of our available borrowing capacity.

Our indebtedness could limit our flexibility, adversely affect our financial health and prevent us from making payments on such indebtedness.

Our substantial indebtedness could have important consequences to you. For example, it could:

- make it difficult for us to satisfy our obligations with respect to our indebtedness;
- make us more vulnerable to general adverse economic and industry conditions;
- require us to dedicate a substantial portion of our cash flow from operations to payments on our indebtedness, thereby reducing the availability of our cash flow for operations and other purposes;
- limit our flexibility in planning for, or reacting to, changes in our business and industry in which we operate; and
- place us at a competitive disadvantage compared to competitors that may have proportionately less indebtedness.

In addition, our ability to make scheduled payments or to refinance our obligations depends on our successful financial and operating performance. We cannot assure you that our operating performance will generate sufficient cash flow or that our capital resources will be sufficient for payment of our debt obligations in the future. Our financial and operating performance, cash flow and capital resources depend on prevailing economic conditions and financial, business and other factors, many of which are beyond our control.

If our cash flow and capital resources are insufficient to fund our debt service obligations, we may be forced to sell material assets or operations, obtain additional capital or restructure our debt. In the event that we are required to dispose of material assets or operations or restructure our debt to meet our debt service and other obligations, we cannot assure you as to the terms of any such transaction or how quickly any such transaction could be completed, if at all.

We may incur substantial additional indebtedness in the future. Our incurrence of additional indebtedness would intensify the risks described above.

The Preferred Stock gives the holders thereof liquidation and distribution preferences, certain rights relating to our business and management, and the ability to convert such shares into our Class A common stock, potentially causing dilution to our common stockholders.

In January 2018, we issued 350,000 shares of Preferred Stock (the “Preferred Shares”), which rank senior to the Class A common stock with respect to distribution rights and rights upon liquidation. Subject to certain exceptions, so long as any Preferred Shares remain outstanding, we may not declare any dividend or distribution on our Class A common stock unless all accumulated and unpaid dividends have been declared and paid (in cash or in kind) on the Preferred Shares. In the event of our liquidation, winding-up or dissolution, the holders of the Preferred Shares would have the right to receive proceeds from any such transaction before the holders of the Class A common stock. The payment of the liquidation preference could result in common stockholders not receiving any consideration if we were to liquidate, dissolve or wind up, either voluntarily or involuntarily. Additionally, the existence of the liquidation preference may reduce the value of the Class A common stock, make it harder for us to sell shares of Class A common stock in offerings in the future, or prevent or delay a change of control.

In connection with the issuance of the Preferred Shares, we entered into an agreement with WP SemGroup Holdings, LP (“Warburg”), an entity controlled by funds affiliated with Warburg Pincus LLC, pursuant to which we granted Warburg the right to appoint an observer to our Board of Directors. In addition, the Certificate of Designations governing the Preferred

Shares provides the holders of the Preferred Shares with the right to vote on an as-converted basis with our common stockholders on matters submitted to a stockholder vote. Also, so long as any Preferred Shares are outstanding, subject to certain exceptions, the affirmative vote or consent of the holders of at least a majority of the outstanding Preferred Shares, voting together as a separate class, will be necessary for effecting or validating, among other things: (i) any issuance of stock senior to the Preferred Shares, (ii) any issuance by us of parity stock, subject to certain exceptions, (iii) any repurchase by us of any Preferred Stock, other than on a pro rata basis among all Holders, (iv) any special, one-time dividend or distribution with respect to any class of junior stock and (v) any spin-off or other distribution of any equity securities or assets of any of our subsidiaries to its stockholders in which the consideration received by us in such transaction is less than fair market value, subject to certain exceptions. These restrictions may adversely affect our ability to finance future operations or capital needs or to engage in other business activities.

Furthermore, the conversion of the Preferred Shares into Class A common stock beginning on or after the eighteen-month anniversary of the issuance of the Preferred Shares, may cause substantial dilution to holders of the Class A common stock. Because our Board of Directors is entitled to designate the powers and preferences of preferred stock without a vote of our Class A common stockholders, subject to NYSE rules and regulations, our Class A common stockholders will have no control over what designations and preferences our future preferred stock, if any, will have.

Our profitability depends on the demand for the products we gather, transport, process and store in the markets we serve.

Any sustained reduction in demand for petroleum products in markets served by our midstream assets could result in a significant reduction in the volume of petroleum products that we gather, transport, process and store, thereby adversely affecting our results of operations, cash flows and financial condition. A reduction in demand can result from a number of factors including:

- an increase in the price of products derived from petroleum products;
- higher taxes, including federal excise taxes, crude oil severance taxes or sales taxes or other governmental or regulatory actions that increase, directly or indirectly, the cost of petroleum based products;
- adverse economic conditions which result in lower spending by consumers and businesses on products derived from petroleum products;
- effects of weather, natural phenomena, terrorism, war, or other similar acts;
- an increase in fuel economy, whether as a result of a shift by consumers to more fuel efficient vehicles, technological advances by manufacturers or federal or state regulations;
- decision by our customers or suppliers to use alternate service providers for a portion of or all of their needs, operate in different markets not served by us, reduce operations or cease operations entirely; and
- an increase in the use of alternative fuel sources such as ethanol, biodiesel, fuel cells, solar and wind power.

We may not realize the anticipated benefits of our acquisition of HFOTCO.

On July 17, 2017, we completed the acquisition of HFOTCO. We believe that the HFOTCO acquisition will, among other things, further de-risk our business by adding secure, downstream cash flow to our portfolio mix, provide a new growth platform to capture opportunities within the Houston Ship Channel’s processing, trading and import/export complex, and provide strong and consistent cash flows regardless of commodity price fluctuations. However, our assessments and expectations regarding these anticipated benefits of the HFOTCO acquisition may prove to be incorrect. Accordingly, there can be no assurance we will realize the anticipated benefits of the HFOTCO acquisition.

Our failure to make the second payment or comply with the terms of the Guarantee, Pledge, and Security Agreement with the Sellers of HFOTCO (the “HFOTCO Pledge Agreement”) could have material adverse consequences to us. In addition, the terms of the HFOTCO Pledge Agreement limit the conduct of HFOTCO business.

The total purchase consideration to acquire HFOTCO consists of two payments. On July 17, 2017, upon the closing of the HFOTCO acquisition, we made the first payment to the Sellers, which consisted of $297.8 million in cash funded from our revolving credit facility, issuance of approximately 12.4 million shares of our Class A common stock, and the assumption of existing HFOTCO net debt of approximately $766 million. The second payment requires us to pay the Sellers $600 million in cash if paid on December 31, 2018. If paid prior to December 31, 2018, the amount payable will be discounted by 5% per annum. If not paid by December 31, 2018, the amount payable increases to $680 million and is due by December 31, 2019 or earlier if requested by the Sellers. The second payment is secured by the HFOTCO Pledge Agreement pursuant to which certain of our subsidiaries guaranteed the obligation to pay the second payment and the second payment is secured by a pledge of the equity interests and assets of certain of our subsidiaries that own HFOTCO.

The HFOTCO Pledge Agreement contains certain customary affirmative and negative covenants, which, among other things and subject to the exceptions and materiality qualifiers set forth therein, generally (i) require certain of our subsidiaries that own HFOTCO to maintain their existence, provide or make available to Sellers certain financial and other information regarding such subsidiaries and HFOTCO, and to operate in compliance with applicable legal requirements and permits, and (ii) restrict the ability of such subsidiaries to incur liens on any of their respective assets other than permitted liens, make certain restricted payments, sell any assets, form new subsidiaries, liquidate, wind-up or dissolve, merge or sell all or substantially all of their respective assets, establish trade names, make certain investments, engage in certain transactions with affiliates, amend or waive rights under the organizational documents or HFOTCO's credit agreement, in each case until such time as the second payment is paid in full. The HFOTCO Pledge Agreement contains customary events of default, including certain representations and warranties set forth in such agreement or related to the enforceability of the obligation to pay the second payment being proved to be false, the failure of certain of our subsidiaries to pay the second payment when due, the breach of specified covenants (in some cases, following a specified cure period), an event of default under HFOTCO's credit agreement or debt agreements other than certain events of default waived by the applicable lenders party thereto, the initiation of involuntary or voluntary bankruptcy proceedings by or against us or certain of our subsidiaries, the failure to discharge certain judgments within 60 days after entry thereof, and a change of control (as defined in the HFOTCO Pledge Agreement). Upon the occurrence of an event of default, the Sellers of HFOTCO have the right to, among other things, force the sale of the pledged equity interests in certain of our subsidiaries that own HFOTCO to satisfy the second payment.

An impairment of our assets, including goodwill, property, plant, and equipment, intangible assets, and/or equity-method investments, could reduce our earnings.

Accounting principles generally accepted in the U.S. require us to test certain assets for impairment on either an annual basis or when events or circumstances occur which indicate that the carrying value of such assets might be impaired. The outcome of such testing could result in impairments of our assets including our goodwill, property, plant, and equipment, intangible assets, and/or equity method investments. Additionally, any asset monetizations could result in impairments if any other assets are sold or otherwise exchanged for amounts less than their carrying value. If we determine that an impairment has occurred, we would be required to take an immediate non-cash charge to earnings.

Because of the natural decline in production from existing wells in our areas of operation, our success depends on our ability to obtain new sources of supply of petroleum products, which is dependent on factors beyond our control. Any decrease in the volumes of these products that we gather, transport, store, process or market could adversely affect our business and operating results.

The volumes that support our business are dependent, in part, on the level of production from wells connected to our operations, the production from which may be less than we expect as a result of a natural decline of producing wells over time and the shut-in of wells for economic or other reasons. As a result, in order to maintain or increase the amount of petroleum products that we handle, we must obtain new sources of petroleum products. The primary factors affecting our ability to obtain sources of these products include the level of successful drilling activity near our systems and our ability to compete for volumes from successful new wells.

We have no control over the level of drilling activity in our areas of operation, the amount of reserves associated with wells connected to our operations or the rate at which production from a well declines. In addition, we have no control over producers or their drilling or production decisions, which are affected by, among other things, the availability and cost of capital, prevailing and projected energy prices, demand for petroleum products, levels of reserves, geological considerations, environmental or other governmental regulations, the availability of drilling permits, the availability of drilling rigs, and other drilling, production and development costs.

Fluctuations in energy prices can also greatly affect the development of new petroleum product reserves and, to a lesser extent, production from existing wells. In general terms, energy prices fluctuate in response to changes in supply and demand, market uncertainty and a variety of additional factors that are beyond our control. Declines in energy prices have a negative impact on exploration, development and production activity and, if sustained, could lead to a material decrease in such activity. Sustained reductions in exploration or production activity in our areas of operation would lead to reduced utilization of our assets and a reduced need for our marketing operations. Because of these factors, even if new reserves are known to exist in areas served by our assets, producers may choose not to develop those reserves. If reductions in drilling activity result in our inability to maintain the levels of petroleum products that we handle, it could have a material adverse effect on our business, results of operations and financial condition.

Our construction of new assets may not result in the anticipated revenue increases.

One of the ways we intend to continue to grow our business is through the construction of new assets. If we undertake such projects, they may not be completed on schedule or at the budgeted cost or at all. Moreover, our revenue may not increase immediately, or at all, upon the expenditure of funds on a particular project. For instance, if we expand a pipeline, the construction may occur over an extended period of time and we may not receive any material increases in revenue until the project is completed. Moreover, we may construct facilities to capture anticipated future growth in production in a region in which such growth does not materialize. Since we are not engaged in the exploration for, and the development of, natural gas and crude oil reserves, we do not possess reserve expertise and we often do not have access to third-party estimates of potential reserves in an area prior to constructing facilities in such area. To the extent we rely on estimates of future production in our decision to construct additions to our system, such estimates may prove to be inaccurate because of numerous uncertainties inherent in estimating quantities of future production. As a result, new facilities may not be able to attract enough throughput to achieve our expected investment return, which could adversely affect our results of operations, cash flows and financial condition.

Increased regulation of hydraulic fracturing or produced water disposal could result in reductions or delays in crude oil and natural gas production in our areas of operation, which could adversely impact our business and results of operations.

The adoption of new laws or regulations imposing additional permitting, disclosures, restrictions or costs related to hydraulic fracturing or produced water disposal could make drilling certain wells less economically attractive. As a result, the volume of crude oil and natural gas we gather, transport and store for our customers could be substantially reduced which could have an adverse effect on our business, results of operations, financial condition and ability to pay dividends to our stockholders.

Our operations could be adversely affected if third-party pipelines, or other facilities connected to our facilities, become partially or fully unavailable, or if the volumes we gather do not meet the quality requirements of such pipelines or facilities.

Our facilities connect to other pipelines or facilities, some of which are owned by third parties. The operation of such third-party pipelines or facilities is not within our control. These pipelines and other facilities may become unavailable, or available only at a reduced capacity, because of testing, turnarounds, line repair, reduced operating pressure, lack of operating capacity, curtailments of receipt or deliveries due to insufficient capacity, or for any other reason. If any of these pipelines or facilities becomes unable to transport the products we gather, or if the volumes we gather or transport do not meet the quality requirements of such pipelines or facilities, our results of operations and cash flows could be adversely affected.

Our Risk Governance Policies' provisions governing our internal marketing activities cannot eliminate all risks associated with the marketing of commodities, nor can we ensure full compliance at all times with the Risk Governance Policies by our employees, both of which could impact our financial and operational results.

We have in place Risk Governance Policies that establish authorized commodities and transaction types, delegations of authority, and limits for marketing exposures and require that we restrict net open positions (e.g., positions that are not fully hedged as to commodity price risk) to specified levels at each of the consolidated and, in certain cases, subsidiary level. Our Risk Governance Policies have restrictive terms with respect to acquiring and holding physical inventory, futures contracts or derivative products. Net open positions are monitored by our Risk Management department for compliance with policy limits. These policies and practices, however, cannot eliminate all risks. Derivatives contracts and contracts for the future delivery of crude oil expose us to the risk of non-delivery under product purchase contracts or the failure of gathering and transportation systems. Any event that disrupts our anticipated physical supply of products could create a net open position that would expose us to risk of loss resulting from price changes.

We are also exposed to certain price risks that cannot be readily hedged, such as price risks for “basis differentials.” Basis differentials can be created to the extent that our purchase or sales contracts call for delivery of a petroleum product of a grade, at a location, or at a time that differs from the specific delivery terms of offsetting purchase and sales agreements or derivative instruments. If this occurs, we may not be able to use the physical or derivative commodity markets to fully hedge our price risk. Our exposure to price risks could impact our operational and financial results.

We also have a risk that employees involved in our marketing operations may not comply at all times with our Risk Governance Policies. Even with management oversight, we cannot ensure with certainty that all violations of the Risk Governance Policies, particularly if deception or other intentional misconduct is involved, will be detected prior to our businesses being materially affected.

Conventional gas operations face continued competitive pressure from shale gas production.

The U.S. Energy Information Administration reports that higher estimates of domestic shale gas resources support increasing estimates of domestic natural gas production at prices below its previous estimates.

The abundant supply of shale gas, driven by horizontal drilling and hydraulic fracturing, places pressure on all conventional gas production, including sour gas production. In addition, facilities designed to remove hydrogen sulfide from a raw gas stream face increased competitive pressure because sour gas is more expensive to process than gas which does not contain sulfur.

Our construction of new assets is subject to regulatory, environmental, political, legal and economic risks which could adversely affect our business.

One of the ways we intend to continue to grow our business is through the construction of new assets. The construction of additions or modifications to our existing systems and of new assets involves numerous regulatory, environmental, political and legal uncertainties beyond our control. In addition, the construction of additions to our existing gathering and transportation assets may require us to obtain new rights-of-way prior to constructing new pipelines. We may be unable to obtain such rights-of-way to connect new product supplies to our existing gathering lines or capitalize on other attractive expansion opportunities. Additionally, it may become more expensive for us to obtain new rights-of-way or to renew existing rights-of-way. Our ability to obtain permits and rights-of-way or otherwise proceed with construction of additions to our assets or new systems could also encounter opposition from political activists, who may attempt to delay construction through protests and other means. Our results of operations, cash flows and financial condition could be adversely affected if we are unable to complete the construction of new assets or additions to existing assets, the cost of such projects significantly exceed our estimates, such projects are delayed beyond our expectations, the cost of renewing existing rights-of-way increases, or if we lose our existing rights-of-way through our inability to renew right-of-way contracts or otherwise.

Changes in currency exchange rates could adversely affect our results of operations.

A portion of our revenue is generated from our operations in Canada, the U.K. and Mexico, which use the Canadian dollar, British pound and Mexican peso, respectively, as the functional currency. Therefore, changes in the exchange rate between the U.S. dollar and any of such foreign currencies could adversely affect our results of operations.

We are exposed to the creditworthiness and performance of our customers, suppliers and transactional counterparties, including our hedge counterparties, and any material nonpayment or nonperformance by one or more of these parties could adversely affect our financial and operational results.

There can be no assurance we have adequately assessed the creditworthiness of each of our existing or future customers, suppliers or transactional counterparties, including our hedge counterparties, or that there will not be a rapid or unanticipated deterioration in their creditworthiness, which may have an adverse impact on our financial condition and results of operations. There is no certainty that our counterparties will perform or adhere to existing or future contractual arrangements.

Our business involves many hazards and operational risks, some of which may not be covered by insurance.

Leaks and other releases of hydrocarbons are possible in operations involving pipelines, tanks and processing units. Other possible operating risks include:

- the breakdown or failure of equipment, information systems or processes;
- the performance of equipment at levels below those originally intended (whether due to misuse, unexpected degradation or design, construction or manufacturing defects);
- failure to maintain adequate inventories of spare parts;
- operator error;
- labor disputes;
- disputes with connected facilities and carriers;
- public opposition activities; and
- catastrophic events such as natural disasters, earthquakes, hurricanes, fires, explosions, fractures, acts of terrorism and other similar events, many of which are beyond our control.

These risks could result in substantial losses due to personal injury or loss of life, severe damage to, and destruction of, property and equipment and pollution or other environmental damage, and may result in curtailment or suspension of our related operations. We are not fully insured against all risks incident to our business. In addition, as a result of market conditions, premiums for our insurance could increase significantly. In some instances, insurance could become unavailable or available only for reduced amounts of coverage. If a significant accident or event occurs that is not fully insured, it could adversely affect our results of operations, cash flows and financial condition. Even if a significant accident or event is covered by insurance, we may still have responsibility for applicable deductibles, and in addition, the proceeds of any such insurance may not be paid in a timely manner. With a few exceptions, our customers have not agreed to indemnify us for losses arising from a release of petroleum products, and we may instead be required to indemnify our customers in the event of a release or other incident.

We may not be able to make acquisitions on economically acceptable terms, which may limit our ability to grow. In addition, any acquisition that we pursue will involve risks that may adversely affect our business.

As part of our business strategy, we have expanded our operations through acquisitions and may continue to do so. We cannot accurately predict the timing, size and success of our acquisition efforts. We may be unable to identify attractive acquisition candidates, negotiate acceptable purchase terms or obtain financing for these acquisitions on economically acceptable terms or because we are outbid by competitors. If we are unable to successfully acquire new businesses or assets, our future growth may be limited.

Any acquisition that we may pursue will involve potential risks, including:

- performance from the acquired businesses or assets that is below the forecasts we used in evaluating the acquisition;
- a significant increase in our indebtedness and working capital requirements;
- the inability to timely and effectively integrate the operations of recently acquired businesses or assets;
- the incurrence of substantial unforeseen environmental and other liabilities arising out of the acquired businesses or assets, including liabilities arising from the operation of the acquired businesses or assets prior to our acquisition;
- risks associated with operating in lines of business that are distinct and separate from our historical operations;
- loss of customers or key employees of the acquired businesses; and
- the diversion of management’s attention from other business concerns.

Any of these factors could adversely affect our ability to achieve anticipated levels of cash flows from our acquisitions, realize other anticipated benefits or meet our debt service requirements.

We are subject to the risks of doing business outside of the U.S.

The success of our business depends, in part, on continued performance in our non-U.S. operations. We currently have operations in Canada, Mexico and the U.K. In addition to the other risks described in this report on Form 10-K, there are numerous risks and uncertainties that specifically affect our non-U.S. operations. These risks and uncertainties include political and economic instability, changes in local governmental laws, regulations and policies, including those related to tariffs, investments, taxation, exchange controls, employment regulations and repatriation of earnings, and enforcement of contract and intellectual property rights. International transactions may also involve increased financial and legal risks due to differing legal systems and customs, including risks of non-compliance with U.S. and local laws affecting our activities abroad, including compliance with the U.S. Foreign Corrupt Practices Act and the U.K. Bribery Act of 2010. While these factors and the impact of these factors are difficult to predict, any one or more of them could adversely affect our financial and operational results.

We may incur significant costs and liabilities resulting from pipeline integrity programs and related repairs.

Pursuant to the Pipeline Safety Improvement Act of 2002, as reauthorized and amended by the Pipeline Inspection, Protection, Enforcement and Safety Act of 2006, the DOT, through the PHMSA, has adopted regulations requiring pipeline operators to develop and implement integrity management programs for pipelines located where a leak or rupture could do the most harm in “high consequence areas,” including high population areas, areas that are sources of drinking water, ecological resource areas that are unusually sensitive to environmental damage from a pipeline release and commercially navigable waterways, unless the operator effectively demonstrates, by risk assessment, that the pipeline could not affect the area. The integrity management regulations require operators, including us, to:

- perform on-going assessments of pipeline integrity on a recurring frequency schedule;
- identify and characterize applicable potential threats to pipeline segments that could impact a high consequence area;

- improve data collection, integration and analysis;
- repair and remediate the pipeline as necessary; and
- implement preventive and mitigating actions.

In addition, states have adopted regulations similar to existing DOT regulations for intrastate gathering and transmission lines. We currently estimate that we will incur an aggregate cost of approximately $10.5 million during 2018 to implement necessary pipeline integrity management program testing along certain segments of our pipelines required by existing DOT and state regulations. This estimate does not include the costs, if any, of any repair, remediation, preventative or mitigating actions that may be determined to be necessary as a result of the testing program, which costs could be substantial. At this time, we cannot predict the ultimate cost of compliance with these regulations, as the cost will vary significantly depending on the number and extent of any repairs found to be necessary as a result of the pipeline integrity testing. We will continue our pipeline integrity testing programs on an on-going basis to assess and maintain the integrity of our pipelines. The results of these tests could cause us to incur significant and unanticipated capital and operating expenditures for repairs or upgrades deemed necessary to ensure the continued safe and reliable operations of our pipelines and, consequently, result in a reduction in our revenue and cash flows from shutting down our pipelines during the pendency of such repairs or upgrades.

A prolonged decline in index prices at Cushing relative to other index prices could reduce the demand for our transportation to, and storage in, Cushing.

Shifts in the overall supply of, and demand for, crude oil in regional, national and global markets, over which we have no control, can have an adverse impact on crude oil index prices in the markets we serve relative to other index prices. A prolonged decline in the WTI Index price, relative to other index prices, may cause reduced demand for our transportation to, and storage in, Cushing, which could have a material adverse effect on our business, results of operations and financial condition.

Adverse developments in our existing areas of operation could adversely impact our results of operations, cash flows and financial condition.

Our operations are focused on gathering, transporting, storing, processing, treating and marketing petroleum products and are principally located in the Midwest, Gulf Coast and Rocky Mountain supply regions of the U.S. and in Alberta, Canada. As a result, our results of operations, cash flows and financial condition depend upon the demand for our services in these regions. Due to our current lack of broad diversification in industry type and geographic location, adverse developments in our current segment of the midstream industry, or our existing areas of operation, could have a significantly greater impact on our results of operations, cash flows and financial condition than if our operations were more diversified.

We are subject to regulation by multiple governmental agencies, and the nature and degree of regulation from such agencies could adversely impact our business, results of operations and financial condition.

Our business activities are subject to regulation by multiple federal, state and local governmental agencies. Our historical operating costs reflect the recurring costs resulting from compliance with these regulations and we do not anticipate material expenditures in excess of these amounts in the absence of future acquisitions, or changes in regulation, or discovery of existing but unknown compliance issues. Additional proposals and proceedings that affect the midstream industry are regularly considered by Congress, as well as by state legislatures and federal and state regulatory commissions, agencies and courts. We cannot predict when or whether any such proposals may become effective or the magnitude of the impact changes in laws and regulations may have on our business. However, additions to the regulatory burden on our industry generally increase our cost of doing business and affect our profitability.

Our trucking fleet operations are subject to the Federal Motor Carrier Safety Regulations which are enacted, reviewed and amended by the FMCSA. Our fleet currently has a "satisfactory" safety rating; however, if our safety rating were downgraded to "unsatisfactory," our business and results of operations could be adversely affected.

All federally regulated carriers safety ratings are measured through a program implemented by the FMCSA known as the Compliance Safety Accountability ("CSA") program. The CSA program measures a carrier's safety performance based on violations observed during roadside inspections as opposed to compliance audits performed by the FMCSA. The quantity and severity of any violations are compared to a peer group of companies of comparable size and annual mileage. If a company rises above a threshold established by the FMCSA, it is subject to action from the FMCSA. There is a progressive intervention strategy that begins with a company providing the FMCSA with an acceptable plan of corrective action that the company will implement. If the issues are not corrected, the intervention escalates to on-site compliance audits and ultimately an "unsatisfactory" rating and the revocation of our operating authority by the FMCSA could have an adverse effect on our business, results of operations and financial condition.

We may incur significant costs and liabilities in the future resulting from a failure to comply with new or existing environmental laws or regulations or an accidental release of hazardous substances, petroleum products or wastes into the environment.

Our operations are subject to federal and foreign, state, provincial and local environmental laws and regulations governing the discharge of materials into the environment or otherwise relating to environmental protection. These laws include, for example:

- federal and comparable state and foreign laws that impose obligations related to air emissions;
- federal and comparable state and foreign laws that impose requirements for the handling, storage, treatment or disposal of solid and hazardous waste from our facilities;
- federal and comparable state and foreign laws that regulate the cleanup of hazardous substances that may have been released at properties currently or previously owned or operated by us or at locations to which our hazardous substances have been transported for disposal; and
- federal and comparable state and foreign laws that regulate discharges from our facilities require spill protection planning and preparation and set requirements for other actions for protection of waters.

Failure to comply with these laws and regulations, or newly adopted laws or regulations, may trigger a variety of administrative, civil and criminal enforcement measures, including the assessment of monetary penalties, the imposition of remedial requirements and the issuance of orders enjoining future operations or imposing additional compliance requirements on such operations. Claims pursued under certain environmental laws impose strict, joint and several liability for costs required to clean up and restore sites where hazardous substances or petroleum products have been disposed or otherwise released. Provisions also exist that may require remediation or other compensation to pay for damages to natural resources. Moreover, it is not uncommon for individuals to file claims for personal injury and property damage allegedly caused by the release of hazardous substances, petroleum products or waste products in the environment.

There is an inherent risk of incurring environmental costs and liabilities in connection with our operations due to our handling of crude oil and natural gas, air emissions and water discharges related to our operations and historical industry operations and waste disposal practices. For example, an accidental release from one of our facilities could subject us to substantial liabilities for environmental cleanup and restoration costs, claims made by individuals for personal injury, natural resource and property damages and fines or penalties for related violations of environmental laws or regulations. Moreover, the possibility exists that stricter laws, regulations or enforcement policies could significantly increase our operational or compliance costs and, the cost of any remediation that may become necessary. We may not be able to recover all or any of these costs from insurance and fines or penalties paid for compliance violations, whether alleged or proven, will not be covered by insurance.

Our storage operations are influenced by the overall forward market for crude oil, and certain market conditions may adversely affect our financial and operating results.

Our storage operations are influenced by the overall forward market for crude oil. A contango market (meaning that the price of crude oil for future delivery is higher than the current price) is associated with greater demand for crude oil storage capacity, because a party can simultaneously purchase crude oil at current prices for storage and sell at higher prices for future delivery. A backwardated market (meaning that the price of crude oil for future delivery is lower than the current price) is associated with lower demand for crude oil storage capacity because a party can capture a premium for prompt delivery of crude oil rather than storing it for future sale. A prolonged backwardated market, or other adverse market conditions, could have an adverse impact on our ability to negotiate favorable prices under new or renewing storage contracts, which could have an adverse impact on our storage revenues. As a result, the overall forward market for crude oil may have an adverse effect on our business, results of operations, financial condition and ability to make cash distributions to our stockholders.

An increase in interest rates could impact demand for our storage capacity.

There is a financing cost for a storage capacity user to own crude oil while it is stored. That financing cost is impacted by the cost of capital or interest rate incurred by the storage user, in addition to the commodity cost of the crude oil in inventory. Absent other factors, a higher financing cost adversely impacts the economics of storing crude oil for future sale. As a result, a significant increase in interest rates could adversely affect the demand for our storage capacity independent of other market factors.

Severe weather conditions and natural or man-made disasters could severely disrupt normal operations and have a material adverse effect on our business, financial condition, results of operations and cash flows.

We operate in various locations across the U.S., Canada, Mexico and the U.K. which may be adversely affected by severe weather conditions and natural or man-made disasters. During periods of heavy snow, ice, rain or extreme weather conditions such as high winds, tornadoes and hurricanes or after other natural disasters such as earthquakes or wildfires, we may be unable to move our trucks between locations and our facilities may be damaged, thereby reducing our ability to provide services and generate revenues. These same conditions may cause serious damage or destruction to the property and operations of our customers. Such disruptions could potentially have a material adverse effect on our business, financial condition, results of operations and cash flows.

Climate change legislation and related regulatory initiatives could result in increased operating costs and reduced demand for our services.

The EPA has published its findings that emissions of GHGs are an endangerment to public health and the environment because such gases are contributing to the warming of the earth's atmosphere and other climatic changes. The EPA adopted regulations under existing provisions of the federal Clean Air Act that require entities that produce certain gases to inventory, monitor and report such gases. Additionally, the EPA adopted rules to regulate GHG emissions through construction and operating permit programs. A number of state and regional efforts have also emerged which are intended to address climate issues.

Canadian federal regulations creating GHG performance standards for the transportation sector and for coal-fired electricity generation were established by the previous federal government in recent years and the oil and gas sector was targeted for similar regulations in the future. A new federal government was elected on October 19, 2015. It indicated that a key priority is to provide national leadership to reduce emission, combat climate change and price carbon, in partnership with provinces and territories. On December 12, 2015, the federal government reached an international agreement with 195 countries at the Paris Climate Conference and stated that it will support and implement policies that contribute to a low-carbon economy. In October 2016 the Federal Government ratified the Paris Agreement and implemented the pan-Canadian carbon-pricing framework, which set the price of emissions of $CO2$ at \$50/t by 2022. The implementation of the pan-Canadian framework will be left to the individual provincial governments.

The province of Alberta is currently reviewing how to integrate the pan-Canadian framework into the existing legislation for large GHG emitters. Based upon the federal carbon pricing direction, the costs of future emissions will increase from the current \$20/t $CO2e$ to \$50/t $CO2e$ in 2022. The details of which processes will be taxed is still being evaluated by the Alberta Provincial government.

Regulatory actions by governments or the passage of new climate change laws or regulations could result in increased costs to (i) operate and maintain our facilities, (ii) install new emission controls on our facilities and (iii) administer and manage our GHG compliance program. If we are unable to recover or pass through our costs to comply with such requirements, it could have a material adverse effect on our results of operations and financial condition. Further, climate change and GHG regulation could reduce demand for our services.

We face intense competition in our gathering, transportation, processing, storage and marketing activities. Competition from other providers of those services that are able to supply our customers with those services at a lower price or on otherwise better terms could adversely affect our business and operating results.

We are subject to competition from other gathering, transportation, processing, storage and marketing operations that may be able to supply our customers with the same or comparable services at a lower price or otherwise on better terms. We compete with national, regional and local gathering, transportation and storage companies of widely varying sizes, financial resources and experience, including the major integrated oil companies. Our ability to compete could be harmed by numerous factors, including:

- price competition;
- the perception that another company can provide better service; and
- the availability of alternative supply points, or supply points located closer to the operations of our customers.

Some of our competitors have greater financial, managerial and other resources than we do, and control substantially more storage or transportation capacity than we do. Our competitors may expand their assets or operations, creating additional competition for the services we provide to our customers. In addition, our customers may develop their own gathering, transportation and storage systems or marketing operations in lieu of using ours. Our ability to renew or replace existing contracts with our customers at rates sufficient to maintain current revenues and cash flow could be adversely affected by the activities of our competitors and our customers.

We may not be able to renew or replace expiring storage and transportation contracts.

We have significant exposure to market risk at the time our existing storage and transportation contracts expire and are subject to renegotiation and renewal. The extension or replacement of existing contracts depends on a number of factors beyond our control, including:

- the level of existing and new competition to provide storage and transportation services to our markets;
- the macroeconomic factors affecting crude oil storage and transportation economics for our current and potential customers;
- the balance of supply and demand, on a short-term, seasonal and long-term basis, in our markets;
- the extent to which the customers in our markets are willing to contract on a long-term basis; and
- the effects of federal, state or local regulations on the contracting practices of our customers.

Any failure to extend or replace a significant portion of our existing contracts, or extend or replace them at comparable rates, could have a material adverse effect on our business, results of operations, and financial condition.

A change in the jurisdictional characterization of some of our assets by federal, state or local regulatory agencies, or a change in policy by those agencies, could result in increased regulation of our assets, which could affect existing costs and rates.

Interstate transportation and gathering pipelines that do not provide interstate services are not subject to regulation by FERC. However, the distinction between FERC-regulated interstate pipeline transportation, on the one hand, and intrastate pipeline transportation, on the other hand, is a fact-based determination. The classification and regulation of our crude oil pipelines are subject to change based on future determinations by FERC, federal courts, Congress or regulatory commissions, courts or legislatures in the states in which we operate.

Our Kansas and Oklahoma gathering pipeline system carries crude oil owned by us and by third parties. We own all of the crude oil shipped on our pipeline system across state lines. We believe that the pipeline segments on which we provide service to third parties and the services we provide to third parties on the gathering pipeline system meet the traditional tests that FERC has used to determine that the pipeline services provided are not interstate commerce. We believe that the pipeline segments on which we transport only crude oil owned by us should not be subject to regulation by FERC under the ICA, or that these pipeline segments would qualify for waiver from FERC's regulatory requirements, if applicable. However, we cannot provide assurance that FERC will not in the future, either at the request of other entities or on its own initiative, determine that some or all of our Kansas and Oklahoma gathering pipeline system and the services we provide on that system are within its jurisdiction, or that such a determination would not adversely affect our results of operations. If some or all of the gathering system were subject to FERC jurisdiction, and not otherwise exempt from any applicable regulatory requirements, for that portion of the gathering pipeline system we would be required to file a tariff with FERC, and if our tariff rates were subject to protest, provide a cost justification for the transportation rate subject to protest and provide service to all potential shippers without undue discrimination. In addition, if the services we provide on any segment(s) of our gathering system become regulated by FERC under the ICA, our services could be subject to a protest and/or complaint before FERC. If FERC were to determine, in response to a complaint, that our rates are unjust and unreasonable, we could be required to pay reparations and refunds dating to two years before the filing of the complaint. Furthermore, if in the future our services become subject to state regulation, they could be subject to a protest and/or complaint before a state commission with jurisdiction.

Competition for water resources or limitations on water usage for hydraulic fracturing could disrupt crude oil and natural gas production from shale formations.

Hydraulic fracturing is the process of creating or expanding cracks by pumping water, sand and chemicals under high pressure into an underground formation in order to increase the productivity of crude oil and natural gas wells. Water used in the process is generally fresh water, recycled produced water or salt water.

There is competition for fresh water from municipalities, farmers, ranchers and industrial users. In addition, the available supply of fresh water can also be reduced directly by drought. Prolonged drought conditions increase the intensity of competition for fresh water.

Limitations on oil and gas producers' access to fresh water may restrict their ability to use hydraulic fracturing and could reduce new production. Such disruptions could potentially have a material adverse impact on our business, financial condition, results of operations and cash flows.

Loss of key employees could significantly reduce our ability to execute strategies.

Much of our future success depends on the continued availability and service of key personnel including the executive team and skilled employees in technical, operational and staff positions. We depend on current and new key officers and employees to meet the challenges and complexities of our businesses. If any such officers or employees resign, or become unable to continue in their present roles and are not adequately replaced, or if we are unable to fill vacant positions, our business operations could be materially adversely affected. There can be no assurance that we will continue to attract and retain key personnel.

A failure in our operational systems or cyber security attacks on any of our facilities, or those of third parties, may affect adversely our financial results.

Our business is dependent upon our operational systems to process a large amount of data and complex transactions. If any of our financial, operational, or other data processing systems fail or have other significant shortcomings, our financial results could be adversely affected. Our financial results could also be adversely affected if an employee causes our operational systems to fail, either as a result of inadvertent error or by deliberately tampering with or manipulating our operational systems. In addition, dependence upon automated systems may further increase the risk that operational system flaws, employee tampering or manipulation of those systems could result in losses that are difficult to detect.

We have become more reliant on technology to help increase efficiency in our business. We use numerous technologies to help run our operations, and this may subject our business to increased risks. Any cyber security attack that affects our facilities, our customers or any financial data could have a material adverse effect on our business. In addition, a cyber attack on our customer and employee data may result in a financial loss, including potential fines for failure to safeguard data, and may negatively impact our reputation. Third-party systems on which we rely could also suffer system failure. Any of these occurrences could disrupt our business, result in potential liability or reputational damage or otherwise have an adverse effect on our financial results.

The threat or attack of terrorists aimed at our facilities could adversely affect our business.

The U.S. government has issued warnings that energy assets, specifically the nation’s pipeline infrastructure, may be future targets of terrorist organizations. Any future terrorist attack that may target our facilities, those of our customers or those of certain other pipelines could have a material adverse effect on our business. In addition, any governmental body mandated actions to prepare for, or protect against, potential terrorist attacks could require us to spend money or modify our operations.

Risks Related to Our Class A Common Stock

Holders of our Class A common stock may not receive dividends in the amount identified in guidance or any dividends.

We may not have sufficient cash each quarter to pay dividends or maintain current or expected levels of dividends. The actual amount of cash we pay out in dividends may fluctuate from quarter to quarter and will depend on various factors, some of which are beyond our control, including:

- the amount of cash that our subsidiaries distribute to us;
- the amount of cash we generate from our operations, our working capital needs, our level of capital expenditures and our ability to borrow;
- the restrictions contained in our indentures, the certificate of designations for our Preferred Stock and our credit agreements and our debt service requirements; and
- the cost of acquisitions, if any.

A failure either to pay dividends or to pay dividends at expected levels could result in a loss of investor confidence, reputational damage and a decrease in the market price of our Class A common stock.

Our Class A Common Stock may experience significant price and volume fluctuations.

The market price of our Class A Common Stock may fluctuate significantly in response to various factors and events beyond our control, including the following:

- the risk factors described in this report on Form 10-K;
- our operating and financial results differing from that expected by securities analysts and investors;
- the financial and stock price performance of our competitors or companies in our industry generally;

- changes in accounting standards, policies, interpretations or principles;
- changes in laws or regulations which adversely affect our industry or us;
- general conditions in our customers' industries, including changes in commodity prices; and
- general economic conditions and conditions in the securities markets.

Item 1B. *Unresolved Staff Comments*

None.

Item 3. *Legal Proceedings*

For information regarding legal proceedings, see the discussion under the captions "Environmental" and "Other matters" in Note 15 of our consolidated financial statements beginning on page F-1 of this Form 10-K, which information is incorporated by reference into this Item 3.

Item 4. *Mine Safety Disclosures*

Not applicable.

Executive Officers of the Registrant

Our executive officers are elected annually by, and serve at the discretion of, our Board of Directors. Set forth below is information concerning our executive officers.

Name	Age	Position
Carlin G. Conner	50	President and Chief Executive Officer and Director
Robert N. Fitzgerald	58	Senior Vice President and Chief Financial Officer
Susan Lindberg	54	Vice President and General Counsel
Timothy R. O'Sullivan	61	Vice President, Corporate Planning and Strategic Initiatives
Thomas F. DeLorbe	59	Vice President, Corporate Services

Carlin G. Conner. Mr. Conner became president, chief executive officer, and a director of SemGroup in 2014. In 2000, he joined a subsidiary of Oiltanking GmbH ("Oiltanking"), an independent worldwide storage provider of crude oil, refined petroleum products, liquid chemicals. During his nearly 14 years with Oiltanking and its affiliates he focused on international business development while serving in various leadership roles. From 2012 to 2014, Mr. Conner served as managing director of Oiltanking and he served as chairman of the Board of Directors of the general partner of Oiltanking Partners, L.P., a publicly traded master limited partnership engaged in independent terminaling, storage and transportation of crude oil, refined petroleum products and liquefied petroleum gas, from 2011 to 2014. From 2012 to 2014, Mr. Conner also served as an executive board member of Marquard & Bahls, AG, the parent company of Oiltanking, where he was instrumental in defining a new strategy for the energy supply, trading, and logistics business across Europe, the Americas, Asia, and Africa. He began his career at GATX Terminals Corporation and served in various roles, including operations and commercial management. From April 2014 to October 2014, Mr. Conner served on the Board of Directors of the general partner of NGL Energy Partners LP, a publicly traded master limited partnership engaged in water solutions, crude oil logistics, NGL logistics, refined products/renewables and retail propane. He also served as chairman of the Board of Directors, president and chief executive officer of the general partner of Rose Rock Midstream, L.P. ("Rose Rock"), a publicly traded master limited partnership and subsidiary of the Company, which owned and operated a diversified portfolio of midstream energy assets, from 2014 until September 2016, when SemGroup acquired all of Rose Rock. Mr. Conner holds a bachelor's degree in environmental science from McNeese State University, where he was also named 2016 Distinguished Alumnus of the Year. In addition, he completed INSEAD and MCE executive management training in France and Belgium, respectively.

Robert N. Fitzgerald. Mr. Fitzgerald joined SemGroup in 2009 and serves as senior vice president and chief financial officer. Mr. Fitzgerald also served as a director, senior vice president and chief financial officer of the general partner of Rose Rock from 2011 until September 2016, when SemGroup acquired all of Rose Rock. Prior to joining SemGroup, Mr. Fitzgerald served as chief financial officer from 2008 to 2009 of Windsor Energy Group, a private independent oil and gas exploration and development company. He has also served from 2006 to 2008 as executive vice president of LinkAmerica Corp. and from 2003 until 2006 as chief operating officer and chief financial officer of Arrow Trucking Company, both commodity transportation companies. From 2000 to 2003, he served as vice president, finance of Williams Communications Group, a global communication company. Prior to that, Mr. Fitzgerald was with BP Amoco and Amoco Corporation for 20 years, working in various financial and operations positions in Tulsa, Oklahoma; Houston, Texas; Denver, Colorado; and Chicago, Illinois. Mr. Fitzgerald received a master's degree in business administration from the University of Tulsa and a Bachelor of Business Administration degree from Western Illinois University. He is currently a member of the American Institute of Certified Public Accountants, the Institute of Management Accountants and the Institute of Internal Auditors. He is a certified public accountant.

Susan Lindberg. Ms. Lindberg has served as vice president and general counsel of SemGroup since 2017. She has 25 years of energy industry experience with extensive expertise in corporate governance, complex transactions, energy regulation and strategy development. From 2006 to 2017, Ms. Lindberg served as general counsel and corporate secretary for Eni US Operating Co. Inc., a major integrated energy company based in Italy. Before Eni, Ms. Lindberg was assistant general counsel at Duke Energy Corp. Previously, she was with Enron Corp., where she joined the company as Senior Counsel for Enron Transportation Services and later became a director of government affairs. Ms. Lindberg began her career as an associate in the energy section of law firm Akin, Gump, Strauss, Hauer & Feld, LLP after earning her juris doctorate from the University of Texas School of Law.

Thomas F. DeLorbe. Mr. DeLorbe has served as vice president, corporate services since 2017. Mr. DeLorbe joined SemGroup in 2006, performing a business development role for the Company’s asphalt business from 2006 to 2009 and serving as regional sales manager for the Company’s crude oil business from 2009 to 2010. From 2010 to 2017, Mr. DeLorbe served as president of the SemMexico liquid asphalt business. Prior to joining SemGroup, Mr. DeLorbe was employed by Koch Industries, Inc. for 20 years where he served in various roles for domestic and international businesses, including operations manager and director of compliance for Koch’s international asphalt business. Mr. DeLorbe graduated from the University of Northern Iowa with a Bachelor of Science degree in Industrial Management.

Timothy O’Sullivan. Mr. O’Sullivan serves as vice president, corporate planning and strategic initiatives of SemGroup, a position he has held since 2010. Mr. O'Sullivan also served as a director and vice president of the general partner of Rose Rock from 2011 until September 2016, when SemGroup acquired all of Rose Rock. From 2005 until 2010, he served as president and chief operating officer of SemGas, L.P. From 2001 until joining our company, Mr. O’Sullivan worked for Williams Power Company where he was director of global gas and power origination. He was previously employed with Koch Industries, Inc. for 19 years where he served in various capacities in its natural gas division, including business development, marketing and trading, and executive management. Mr. O’Sullivan began his career as a staff accountant for Main Hurdman. Mr. O’Sullivan graduated from Wichita State University with a bachelor’s degree in accounting. Mr. O’Sullivan was a member of the board of directors of the Gas Processors Association and served on its Executive and Finance Committee.

PART II

Item 5. *Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities*

Market Information

Our Class A Common Stock trades on the New York Stock Exchange under the ticker symbol "SEMG." At January 31, 2018, we had 2,799 holders of record of our Class A Common Stock. The following table sets forth the high and low sales prices of our Class A Common Stock (New York Stock Exchange composite transactions) during the periods indicated.

	High	Low
For the year ended December 31, 2017:		
First quarter	$ 43.05	$ 32.48
Second quarter	$ 36.65	$ 22.55
Third quarter	$ 29.05	$ 22.60
Fourth quarter	$ 30.60	$ 21.35
For the year ended December 31, 2016:		
First quarter	$ 28.82	$ 13.98
Second quarter	$ 35.84	$ 20.06
Third quarter	$ 35.45	$ 27.64
Fourth quarter	$ 43.20	$ 29.00

Dividends

Our credit agreement allows payments or distributions as long as we are in compliance on a pro forma basis with our financial covenants. Subject to certain exceptions, so long as any Preferred Shares remain outstanding, no dividend or distribution will be declared or paid on, and no redemption or repurchase will be agreed to or consummated of, stock on a parity with the Preferred Shares, our common stock, unless all accumulated and unpaid dividends for all preceding full fiscal quarters (including the fiscal quarter in which such accumulated and unpaid dividends first arose) have been declared and paid (in cash or in kind).

The following table sets forth the dividend paid in the quarter indicated.

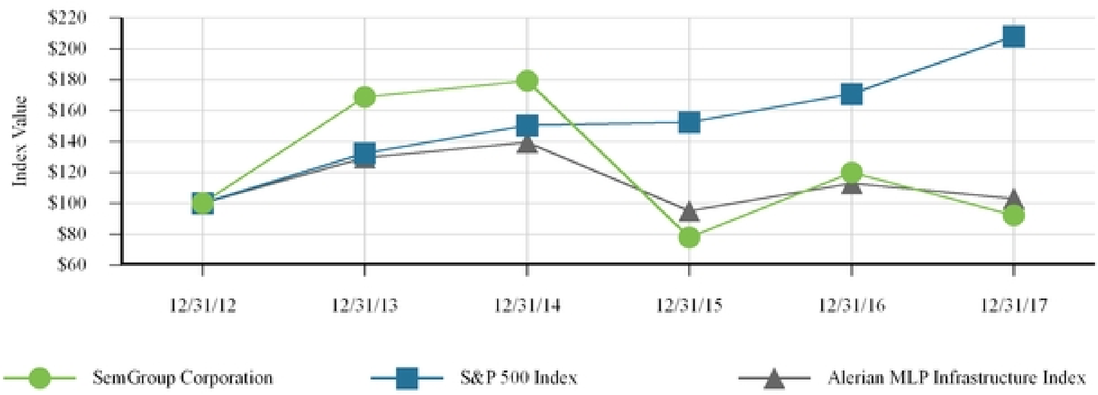
Year Ended December 31, 2017	$/Share
First quarter	$0.45
Second quarter	$0.45
Third quarter	$0.45
Fourth quarter	$0.45

Year Ended December 31, 2016	$/Share
First quarter	$0.45
Second quarter	$0.45
Third quarter	$0.45
Fourth quarter	$0.45

Performance Graph

Set forth below is a line graph comparing the cumulative total stockholder return on our Class A Common Stock with the cumulative total return of the S&P 500 Stock Index and the Alerian MLP Infrastructure Index ("AMZIX Index") for the period from January 1, 2013 to December 31, 2017. The AMZIX Index is a liquid, midstream-focused subset of the Alerian MLP index, comprised of 25 energy infrastructure master limited partnerships. The graph was prepared assuming $100 was invested on December 31, 2012 in our Class A Common Stock, the S&P 500 Stock Index and the AMZIX Index and dividends/distributions have been reinvested subsequent to the initial investment.

COMPARISON OF CUMULATIVE TOTAL RETURN
Among SemGroup Corporation, the S&P 500 Index
and the Alerian MLP Infrastructure Index



The above performance graph and related information shall not be deemed “soliciting material” or be deemed to be “filed” with the SEC, nor shall such information be incorporated by reference into any filing under the Securities Act or the Exchange Act, except to the extent that we specifically incorporate it by reference into such filing.

Unregistered Sales of Equity Securities and Use of Proceeds

The following table provides information about purchases of our common stock by us during the quarter ended December 31, 2017:

	Total Number of Shares Purchased (1)	Weighted Average Price Paid per Share (2)	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of Shares That May Yet Be Purchased Under the Plans or Programs
October 1, 2017 - October 31, 2017	2,983	$ 28.70	—	—
November 1, 2017 - November 30, 2017	1,172	22.85	—	—
December 1, 2017 - December 31, 2017	977	28.45	—	—
Total	5,132	$ 27.32	—	—

(1) Represents shares of common stock withheld from certain of our employees for payment of taxes associated with the vesting of restricted stock awards.

(2) The price paid per common share represents the closing price as posted on the New York Stock Exchange on the day that the shares were purchased.

Item 6. *Selected Financial Data*

Selected Consolidated Financial Data

The following table provides selected consolidated financial data as of and for the periods shown. The balance sheet data as of December 31, 2017, 2016, 2015, 2014 and 2013, and the statement of operations data for the years ended December 31, 2017, 2016, 2015, 2014 and 2013, have been derived from our audited financial statements for those dates and periods. The selected financial data provided below should be read in conjunction with “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our consolidated financial statements and related notes included in this Form 10-K.

The following table presents the non-GAAP financial measure Adjusted EBITDA, which we use in our business and view as an important supplemental measure of our performance. Adjusted EBITDA is not calculated or presented in accordance with GAAP. For the definition of Adjusted EBITDA and a reconciliation of Adjusted EBITDA to net income, the most directly comparable financial measure calculated and presented in accordance with GAAP, please see "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—How We Evaluate our Operations."

	Year Ended December 31,				
	2017	2016	2015	2014	2013
	(amounts in thousands, except per share amounts)				
Statement of operations data:					
Total revenues	$ 2,081,917	$ 1,332,164	$ 1,455,094	$ 2,122,579	$ 1,427,016
Operating income	$ 97,466	$ 121,590	$ 129,153	$ 126,993	$ 117,914
Income (loss) from continuing operations	$ (17,150)	$ 13,263	$ 42,816	$ 52,058	$ 65,753
Income (loss) from discontinued operations	—	(1)	(4)	(1)	59
Net income (loss)	$ (17,150)	$ 13,262	$ 42,812	$ 52,057	$ 65,812
Net income attributable to noncontrolling interests	—	11,167	12,492	22,817	17,710
Net income (loss) attributable to SemGroup	$ (17,150)	$ 2,095	$ 30,320	$ 29,240	$ 48,102
Income (loss) from continuing operations per share of common stock:					
Basic	$ (0.24)	$ 0.04	$ 0.69	$ 0.69	$ 1.14
Diluted	$ (0.24)	$ 0.04	$ 0.69	$ 0.68	$ 1.13
Other financial data:					
Adjusted EBITDA	$ 328,303	$ 282,795	$ 305,282	$ 287,441	$ 189,018
Cash dividend paid per common share	$ 1.80	$ 1.80	$ 1.59	$ 1.03	$ 0.60

	As of December 31,				
	2017	2016	2015	2014	2013
	(amounts in thousands)				
Balance sheet data:					
Total assets	$ 5,376,817	$ 3,074,972	$ 2,853,909	$ 2,576,388	$ 2,464,437
Long-term debt, including current portion	$ 2,858,620	$ 1,050,944	$ 1,057,847	$ 753,718	$ 608,948
Owners' equity:					
SemGroup Corporation owners' equity	$ 1,658,365	$ 1,445,965	$ 1,115,527	$ 1,149,508	$ 1,053,902
Noncontrolling interests in consolidated subsidiaries	—	—	80,829	69,929	159,961
Total owners' equity	$ 1,658,365	$ 1,445,965	$ 1,196,356	$ 1,219,437	$ 1,213,863

We have experienced many changes in our business during the periods shown in the table above, which significantly limits the comparability of the financial data. Such changes include, but are not limited to, various impairments of long-lived assets, gains/losses on disposal of long-lived assets, acquisitions and debt issuances.

Item 7. *Management's Discussion and Analysis of Financial Condition and Results of Operations*

Overview

We, and our significant equity method investees, own gathering systems, transportation pipelines, crude oil transport trucks, processing plants, storage facilities and terminals in Colorado, Kansas, Louisiana, Minnesota, Montana, North Dakota, Oklahoma, Texas and Wyoming and in Alberta, Canada.

We own and operate storage, terminal and marine facilities at Milford Haven in the U.K. that enable customers to supply products to markets in the Atlantic Basin. We also operate a network of liquid asphalt cement terminals throughout Mexico.

General Trends and Outlook

The prices of crude oil and natural gas have historically been volatile. For example, from January 1, 2014 to December 31, 2017, the NYMEX prompt month settle price ranged from a high of $107.26 per barrel to a low of $26.21 per barrel. The range for natural gas during that period was $6.15 to $1.64 per MMBtu. Substantial declines in crude oil and natural gas prices, particularly prolonged declines, can have negative effects on producers including:

- reduced revenue, operating income and cash flows;
- reduced volume of crude oil and natural gas that can be produced economically;
- delayed or postponed capital projects; and/or
- limited access to or increased cost of capital, such as equity and long-term debt.

The substantial declines in crude oil and natural gas prices since mid-2014 and continuing throughout 2017 have had these effects on a number of companies in the oil and gas industry, including our customers. While we do not have significant direct exposure to commodity prices, we are exposed to a reduction in volumes to be transported, stored, processed and marketed as a result of lower prices. Additionally, changes to price differentials between basins also impact our crude oil marketing operations. We were impacted by these factors in 2017 and expect them to continue in 2018.

In response to these industry conditions, we have continued to fulfill our long-term strategy to further de-risk our business by adding secure, downstream cash flow to our portfolio mix with the construction of the Maurepas Pipeline project and with the acquisition of HFOTCO. We completed the Maurepas Pipeline project, which is backed by a long-term minimum volume commitment with an investment grade refinery customer in the third quarter of 2017. The HFOTCO acquisition, which closed in the third quarter of 2017, provides consistent cash flows from refinery-facing assets for which volumes are not generally impacted by commodity price fluctuations. HFOTCO also provides an entirely new growth platform to capture opportunities within the Houston Ship Channel's massive processing, trading and import/export complex. In connection with the HFOTCO acquisition, we have initiated a capital raising program to make the Second Payment and pre-fund future capital expenditures. Thus far, we have raised approximately $790 million including $300 million from the sale of Glass Mountain Pipeline, subject to working capital and other adjustments, an agreement to sell our Mexican asphalt operations for $55 million in cash plus an estimated $15 million of non-cash working capital (subject to customary adjustments for capital expenditures), an agreement to sell our U.K. operations for $71.5 million with potential earnout payments and issued $350 million of Preferred Stock.

How We Evaluate Our Operations

Our management uses a variety of financial and operational metrics to analyze our performance. We view these metrics as important factors in evaluating our profitability and review these measurements on at least a monthly basis for consistency and trend analysis. These metrics include financial measures such as operating expenses, Segment Profit and Adjusted EBITDA and operating data including contracted storage capacity and sales, transportation and processing volumes.

Operating Expenses

Our management seeks to maximize the profitability of our operations, in part, by minimizing operating expenses. These expenses are comprised of salary and wage expense, utility costs, insurance premiums, taxes and other operating costs, some of which are independent of the volumes we handle.

Segment Profit

Our management analyzes the performance of our operating segments through our segment profit measure which is defined as revenue, less cost of products sold (exclusive of depreciation and amortization) and operating expenses, plus equity earnings and is adjusted to remove unrealized gains and losses on commodity derivatives and to reflect equity earnings on an EBITDA basis. Reflecting equity earnings on an EBITDA basis is achieved by adjusting equity earnings to exclude our share of interest, taxes, depreciation and amortization from equity earnings for operated equity method investees. For our investment in NGL Energy, we exclude equity earnings and include cash distributions received.

Adjusted EBITDA

We define Adjusted EBITDA as net income (loss) before interest expense, income tax expense (benefit), depreciation and amortization and adjusted for selected items that we believe impact the comparability of financial results between reporting periods. In addition to non-cash items, we have selected items for adjustment to EBITDA which management feels decrease the comparability of our results among periods. These items are identified as those which are generally outside of the results of day-to-day operations of the business. These items are not considered non-recurring, infrequent or unusual, but do erode comparability among periods in which they occur with periods in which they do not occur or occur to a greater or lesser degree. Historically, we have selected items such as gains on the sale of NGL Energy common units, costs related to our predecessor's bankruptcy, significant business development related costs, significant legal settlements, severance and other similar costs. Management believes these types of items can make comparability of the results of day to day operations among periods difficult and have chosen to remove these items from our Adjusted EBITDA. We expect to adjust for similar types of items in the future. Although we present selected items that we consider in evaluating our performance, you should be aware that the items presented do not represent all items that affect comparability between the periods presented. Variations in our operating results are also caused by changes in volumes, prices, mechanical interruptions and numerous other factors. We do not adjust for these types of variances.

We use Adjusted EBITDA as a supplemental performance measure to assess:

- our operating performance as compared to that of other companies in our industry, without regard to financing methods, historical cost basis, capital structure or the impact of fluctuating commodity prices; and
- the viability of acquisitions and other capital expenditure projects and the returns on investment of various investment opportunities.

Note About Non-GAAP Financial Measures

Adjusted EBITDA is not a financial measure presented in accordance with GAAP. We believe that the presentation of this non-GAAP financial measure will provide useful information to investors in assessing our financial condition and results of operations.

Net income (loss) is the GAAP measure most directly comparable to Adjusted EBITDA. Our non-GAAP financial measure should not be considered as an alternative to the most directly comparable GAAP financial measure. This non-GAAP financial measure has important limitations as an analytical tool because it excludes some, but not all, items that affect the most directly comparable GAAP financial measure. You should not consider Adjusted EBITDA in isolation or as a substitute for analysis of our results as reported under GAAP. Because Adjusted EBITDA may be defined differently by other companies in our industry, our definition of this non-GAAP financial measure may not be comparable to similarly titled measures of other companies, thereby diminishing the utility.

Management compensates for the limitations of Adjusted EBITDA as an analytical tool by reviewing the comparable GAAP measure, understanding the difference between Adjusted EBITDA and net income (loss) and incorporating this knowledge into its decision-making processes. We believe that investors benefit from having access to the same financial measures that our management uses in evaluating our operating results.

The following table presents a reconciliation of net income to Adjusted EBITDA, the most directly comparable GAAP financial measure, on a historical basis for each of the periods indicated.

	Year Ended December 31,				
	2017	2016	2015	2014	2013
	(Unaudited; in thousands)				
Reconciliation of net income (loss) to Adjusted EBITDA:					
Net income (loss)	$ (17,150)	$ 13,262	$ 42,812	$ 52,057	$ 65,812
Add:					
Interest expense	103,009	62,650	69,675	49,044	25,142
Income tax expense (benefit)	(2,388)	11,268	33,530	46,513	(17,254)
Depreciation and amortization	158,421	98,804	100,882	98,397	66,409
Loss (gain) on disposal or impairment, net	13,333	16,048	11,472	32,592	(239)
Loss (income) from discontinued operations	—	1	4	1	(59)
Foreign currency transaction (gain) loss	(4,709)	4,759	(1,067)	(86)	(1,633)
Adjustments to reflect equity earnings on an EBITDA basis	26,890	28,757	32,965	11,033	(6,155)
Remove loss (gain) on sale or impairment of NGL units	—	30,644	(14,517)	(34,211)	—
M&A transaction related costs	21,988	3,269	10,000	—	—
Inventory valuation adjustment including equity method investees	—	—	3,187	7,781	—
Mid-America Midstream Gas Services acquisition cost	—	—	—	—	3,600
Pension curtailment gain	(3,008)	—	—	—	—
Employee severance and relocation expense	1,694	2,128	90	220	38
Unrealized loss (gain) on commodity derivatives	40	989	2,014	(1,734)	(974)
Change in fair value of warrants	—	—	—	13,423	46,434
Bankruptcy related expenses	—	—	224	1,310	567
Charitable contributions	—	—	—	3,379	—
Legal settlement expense	—	—	3,394	—	—
Recovery of receivables written off at emergence	—	—	—	(664)	—
Non-cash equity compensation	10,253	10,216	10,617	8,386	7,330
Loss on early extinguishment of debt	19,930	—	—	—	—
Adjusted EBITDA	$ 328,303	$ 282,795	$ 305,282	$ 287,441	$ 189,018

Business and Performance Drivers

We operate our core businesses through six business segments: Crude Transportation, Crude Facilities, Crude Supply and Logistics, HFOTCO, SemGas and SemCAMS. We generate revenue in these segments by using our assets to provide products and services to third parties and by selectively using our assets to support our marketing activities.

Certain factors are key to our operations. These include the safe, reliable and efficient operation of the pipelines and facilities that we own and operate, while meeting the regulations that govern the operation of our assets and the costs associated with such regulations.

Revenue

Our revenue is generated through the gathering, transportation, processing and storage of petroleum products. Our customers pay us fees based on volumes gathered, transported, processed and stored. We also generate revenue by marketing petroleum products.

We may use futures, swaps and options contracts to manage our exposure to market changes in commodity prices, to protect our gross margins on our purchased petroleum products and to manage our liquidity risk associated with margin deposit requirements on our overall derivative positions. When purchasing petroleum products, we seek to manage our exposure to commodity price risk. As we purchase inventory from suppliers, we may establish a fixed or variable margin with future sales using one of the following methods:

- we have already sold that product for physical delivery pursuant to sales contracts at a market index price,
- we sell the product for future physical delivery pursuant to effectively back-to-back sales contracts, or
- we enter into futures and swaps contracts on the NYMEX or over the counter markets.

In addition, we may purchase put options or derivatives other than futures or swaps to hedge our inventory of petroleum products prior to our sale of such inventory.

Volumes

Generally, we expect revenue to increase or decrease in conjunction with increases or decreases in total volumes. Our total volumes are affected by various factors, including our physical storage or transportation capacity, our working capital and credit availability under our credit facilities to support petroleum product purchases and the availability of the supply of petroleum product available for purchase, which is determined based primarily upon producer activity in areas near our asset base.

Commodity Prices

Our business is primarily fee based. As a result, our financial results are typically not directly correlated with increases and decreases in commodity prices. Our financial results, however, are positively correlated with the absolute difference between current (prompt) and future month petroleum product prices. That is, wide contango (when the prices for future deliveries are higher than current prices) spreads generally have a favorable impact on our results relative to a slightly contango, flat or backwardated (when the prices for future deliveries are lower than current prices) market. While we do not have significant direct exposure to commodity prices, we are exposed to reductions in volumes transported, stored, gathered, processed and marketed as a result of lower prices. Additionally, changes to price differentials between basins also impact our crude oil marketing operations.

Timing of Purchase and Sales

Our financial results are affected by the timing of the purchase and sale of petroleum products, such that financial results may not be comparable between periods. When we enter into an arrangement to purchase product, place the product in storage and resell the product in the future, our financial results do not reflect any related margin until the settlement of the product sale. Prior to the settlement of the product sale, our results reflect the cost of the product in our inventory. Differences in the timing of our product purchases and sales, especially if they extend over fiscal years or quarters, may result in sizable differences between our results over the comparable period.

Results of Operations

Consolidated Results of Operations

	Year Ended December 31,		
(in thousands)	2017	2016	2015
Revenues	$ 2,081,917	$ 1,332,164	$ 1,455,094
Expenses:			
Costs of products sold	1,514,891	873,431	979,549
Operating	254,764	212,099	224,443
General and administrative	110,373	83,908	97,366
Depreciation and amortization	158,421	98,804	100,882
Loss on disposal or impairment, net	13,333	16,048	11,472
Total expenses	2,051,782	1,284,290	1,413,712
Earnings from equity method investments	67,331	73,757	81,386
Gain (loss) on issuance of common units by equity method investee	—	(41)	6,385
Operating income	97,466	121,590	129,153
Other expense (income):			
Interest expense	103,009	62,650	69,675
Loss on early extinguishment of debt	19,930	—	—
Foreign currency transaction loss (gain)	(4,709)	4,759	(1,067)
Loss (gain) on sale or impairment of non-operated equity method investment	—	30,644	(14,517)
Other income, net	(1,226)	(994)	(1,284)
Total other expenses	117,004	97,059	52,807
Income (loss) from continuing operations before income taxes	(19,538)	24,531	76,346
Income tax expense (benefit)	(2,388)	11,268	33,530
Income (loss) from continuing operations	(17,150)	13,263	42,816
Loss from discontinued operations, net of income taxes	—	(1)	(4)
Net income (loss)	$ (17,150)	$ 13,262	$ 42,812

Revenue, costs of products sold and operating expenses

Revenue, costs of products sold and operating expenses are analyzed by operating segment below.

General and administrative expenses

General and administrative expenses increased in 2017 to $110.4 million from $83.9 million in 2016. The increase is primarily due to $26 million of HFOTCO related costs, of which $22 million were acquisition related costs. General and administrative costs for SemCAMS increased by $3 million compared to prior year primarily due to employment costs, office costs and an increase in foreign exchange rates between periods.

General and administrative expenses decreased in 2016 to $83.9 million from $97.4 million in 2015 primarily due to $10 million of business development expenses related to the Maurepas Pipeline incurred in 2015.

Depreciation and amortization

Depreciation and amortization costs increased in 2017 to $158.4 million from $98.8 million in 2016, of which $44 million related to the HFOTCO assets including finite-lived intangible assets acquired in July 2017. The Maurepas Pipeline which was placed in service in 2017 accounted for $11 million of the increase. The remaining increase relates to smaller projects placed in-service during the period.

Depreciation and amortization costs decreased in 2016 to $98.8 million from $100.9 million in 2015 primarily due to $14.1 million of prior year expense related to the reduction of the useful life of a 163-mile section of the Kansas and Oklahoma pipeline system which was fully depreciated in 2015 partially offset by new projects placed in-service.

Loss on disposal or impairment, net

Loss on disposal or impairment, net decreased in 2017 to $13.3 million from $16.0 million in 2016. The net loss on disposal or impairment in 2017 is due to the following (in thousands):

	Segment	Loss/(Gain)
Write-down Mexican asphalt business to net realizable value	Corporate and Other	$ 13,511
Write-down U.K. operations to net realizable value	Corporate and Other	76,661
Sherman natural gas gathering and processing asset impairment	SemGas	30,985
Crude oil trucking goodwill impairment	Crude Transportation	26,628
Crude oil trucking intangible asset impairment	Crude Transportation	12,087
Gain on sale of Glass Mountain	Crude Transportation	(150,266)
Other		3,727
Loss on disposal or impairment, net		$ 13,333

The write-downs of the Mexican asphalt business and the U.K. operations to net realizable value is due to the businesses being categorized as held-for-sale at December 31, 2017.

The impairment of our Sherman, Texas natural gas gathering and processing assets was due to the evaluation of capital raising alternatives which indicated that the carrying value of our Sherman, Texas assets might be in excess of fair value. We used an income approach, based on a discounted cash flow model, to estimate the fair value of the assets, which resulted in a non-cash impairment.

The impairment of the goodwill and intangible assets of our crude oil trucking business was due to a reduction in the long range forecast for crude oil trucking due to the on-going challenging business environment. We viewed the decrease in the forecast as a triggering event that indicated a potential impairment and performed an interim impairment analysis on the business unit's assets including goodwill and intangible assets.

We performed a recoverability test of our definite lived assets under ASC 360 whereby we compared the undiscounted cash flows of the asset group, which was determined to be the entire crude oil trucking reporting unit and included goodwill, to the carrying value of the assets at September 30, 2017. This test indicated that the assets were not fully recoverable. Therefore, we estimated the fair value of the definite lived assets using an income approach, supplemented by a market approach to measure impairment. We also performed an interim impairment test of our goodwill associated with the crude oil trucking reporting unit and determined the estimated fair value was less than the adjusted carrying value of the reporting unit resulting in impairment of goodwill. The cash flow models used to determine recoverability of our assets and to measure impairment expense involved using significant judgments and assumptions, which included the discount rate, anticipated revenue and volume growth rates, estimated operating expenses and capital expenditures, which were based on our operating and capital budgets as well as our strategic plans. We considered the market approach by comparing the revenue and earnings multiples implied by our income approach to those of comparable companies for reasonableness and for estimating the fair value of certain assets of our reporting unit.

The gain on the sale of Glass Mountain is due to the December 22, 2017 sale of our ownership interest in Glass Mountain for $300 million, subject to working capital and other adjustments.

Loss on disposal or impairment, net in 2016 was primarily due to a $13.1 million impairment of SemGas goodwill as a result of producer forecast reductions following the release of the Oklahoma Corporation Commission's Regional Earthquake Response Plan which curtailed the amount of volume that can be injected into disposal wells.

Loss on disposal or impairment, net in 2015 was primarily due to a $9.5 million impairment of goodwill related to our crude oil trucking business.

Interest expense

Interest expense increased in 2017 to $103.0 million from $62.7 million in 2016. The increase is primarily the result of $28.4 million related to HFOTCO debt subsequent to acquisition including accretion of the Second Payment, $22.8 million attributable to the new $325 million, 6.375% senior unsecured notes sold in March 2017 and the $300 million senior, 7.25% senior unsecured notes sold in September 2017 and $8.6 million due to increased borrowings on SemGroup's revolving credit facility. These increases were offset by a $17.8 million decrease in interest expense due to the early payoff of $300 million, 7.50% senior unsecured notes in March 2017.

Interest decreased in 2016 to $62.7 million from $69.7 million in 2015. The decrease is primarily the result of a $16 million increase in capitalized interest, primarily on the Maurepas Pipeline, partially offset by increased interest expense due to higher average outstanding debt balances as compared to the prior year. Capitalized interest recorded for the fourth quarter of 2016 includes an immaterial out of period adjustment of $6.3 million related to under capitalization of interest in the prior year.

Loss on early extinguishment of debt

During the year ended December 31, 2017, we purchased $290 million of our outstanding $300 million senior unsecured notes due 2021 (the “2021 Notes”) through a tender offer. The price included a premium and interest to the purchase date. A notice of redemption was issued for the remaining $10 million of 2021 Notes, which were not redeemed through the tender offer pursuant to the redemption and satisfaction and discharge provisions of the indenture governing the 2021 Notes. The redemption price includes a redemption premium and interest to the redemption date. As a result, we recognized a loss of $19.9 million on the early extinguishment of the 2021 Notes, which included premiums of $15.9 million and the write off of $3.6 million of associated unamortized debt issuance costs.

Foreign currency transaction loss (gain)

Foreign currency transaction changed to a gain of $4.7 million in 2017 from a loss of $4.8 million in 2016. The change is primarily due to changes in the foreign currency rates and amounts of U.S. dollar denominated payables of our U.K. business compared to the prior year and $2.8 million of realized and unrealized gains on foreign currency forwards entered into in the fourth quarter of 2017. The forwards are for purchases of Canadian dollars to limit exposure to foreign currency rate fluctuations for capital contributions to our Canadian operations.

Changes in foreign currency transaction losses in 2016 as compared to 2015 were primarily due to changes in the foreign currency rates and amounts of U.S. dollar denominated payables of our U.K. business between periods.

Loss (gain) on sale or impairment of non-operated equity method investment

In 2016, we incurred a $30.6 million loss due to a $39.8 million other-than-temporary impairment recorded on our NGL Energy common units, partially offset by a $9.1 million gain on the sale of remaining NGL Energy common units in 2016, as compared with prior year gains on the sale of NGL Energy common units.

In 2015, we recorded a gain on the sale of approximately 2 million NGL Energy common units of $15 million.

Results of Operations by Reporting Segment

Crude Transportation

	Year Ended December 31,		
(in thousands)	2017	2016	2015
Revenues:			
Pipeline transportation	$ 47,380	$ 28,752	$ 31,650
Truck transportation	59,552	62,979	65,362
Total revenues	106,932	91,731	97,012
Less:			
Operating expense	67,648	69,605	73,554
Plus:			
Earnings from equity method investments	67,345	71,569	76,355
Adjustments to reflect equity earnings on an EBITDA basis	26,876	26,031	25,307
Segment profit	$ 133,505	$ 119,726	$ 125,120

Segment profit includes earnings from our equity method investments in White Cliffs and Glass Mountain adjusted to exclude our proportional share of our equity investee's depreciation and amortization expense. Our investment in Glass Mountain was sold on December 22, 2017.

2017 versus 2016

Revenue

Pipeline transportation revenue increased to $47.4 million in 2017 from $28.8 million in 2016. The increase was primarily the result of $20.8 million related to the start-up of the Maurepas Pipeline and a $3.7 million increase on the WOT. These increases were partially offset by a $3.6 million reduction related to the Tampa Pipeline, that was sold in the first quarter of 2017, and a $2.2 million reduction primarily due to lower intersegment transportation attributed to our Crude Supply and Logistics segment.

Truck transportation revenue decreased to $59.6 million in 2017 from $63.0 million in 2016, primarily as a result of slightly lower volumes and rates.

Operating Expense

Operating expense decreased in 2017 to $67.6 million from $69.6 million in 2016. The decrease included reductions to employment costs, insurance and taxes and other expenses. These costs were partially offset by increases in outside services, field expense and maintenance and repair.

Earnings from Equity Method Investments

Earnings from White Cliffs decreased by approximately $9.1 million in 2017 compared to 2016, due to lower volumes. Earnings from Glass Mountain increased by approximately $4.9 million in 2017 compared to 2016, due to higher volumes.

2016 versus 2015

Revenue

Pipeline transportation revenue decreased to $28.8 million in 2016 from $31.7 million in 2015. The change is due to a decrease in fixed margin activity which is now reported with other product revenues in the Crude Supply and Logistics segment and was replaced in the Crude Transportation segment with intersegment usage fees. Effective January 2016, Crude Transportation began charging Crude Supply and Logistics to move barrels through the pipeline system. This decrease was partially offset with a $5.1 million increase on the WOT due to additional volume.

Truck transportation revenue decreased slightly to $63.0 million in 2016 from $65.4 million in 2015.

Operating Expense

Operating expense decreased in 2016 to $69.6 million from $73.6 million in 2015. The decrease included reductions to allocated overhead, maintenance and repair and offices expenses. These expenses were partially offset by increases in employment costs, outside services and insurance and taxes.

Earnings From Equity Method Investments

Crude Transportation's equity method investments are White Cliffs and Glass Mountain. Earnings from both equity method investments declined in 2016 due to market conditions. Earnings from White Cliffs decreased by approximately $1.2 million in 2016 compared to 2015 and earnings from Glass Mountain decreased by approximately $3.5 million in 2016 compared to 2015.

Crude Facilities

	Year Ended December 31,		
(in thousands)	**2017**	**2016**	**2015**
Revenues	$ 52,921	$ 56,630	$ 45,936
Less:			
Operating expense	10,954	9,591	8,585
Segment profit	$ 41,967	$ 47,039	$ 37,351

2017 versus 2016

Revenue

Revenue decreased to $52.9 million in 2017 from $56.6 million in 2016. The decrease is primarily due to a reduction in storage revenue of $2.2 million, mainly resulting from scheduled tank cleanings, as the average capacity leased by storage customers decreased to 6.2 million barrels from 6.6 million barrels. The remainder is due to decreases in pump-over revenue of $0.7 million, third-party unloading revenue of $0.3 million, intersegment unloading revenue of $0.3 million and other revenue of $0.2 million.

Operating Expense

Operating expense increased in 2017 to $11.0 million from $9.6 million in 2016, primarily due to higher employment costs, field expense, maintenance and repair and outside services.

2016 versus 2015

Revenue

Revenue increased in 2016 to $56.6 million from $45.9 million in 2015. Effective January 2016, Crude Facilities began charging Crude Supply and Logistics for the use of storage and unloading facilities. As a result, the increase was primarily due to intersegment pump-over activity of $5.4 million, the addition of intersegment storage of $4.8 million, third-party unloading revenue of $2.8 million and intersegment unloading activity of $0.5 million. These increases were partially offset by a reduction in third-party storage revenue of $2.9 million, as the average capacity used internally for crude oil operations and marketing activities increased to 1.3 million barrels from 1.1 million barrels.

Operating Expense

Operating expense increased slightly in 2016 to $9.6 million from $8.6 million in 2015. The increase is primarily due to higher employment expense, field expense, outside services, maintenance and repair and other expense, partially offset with reductions in allocated overhead.

Crude Supply and Logistics

	Year Ended December 31,		
(in thousands)	**2017**	**2016**	**2015**
Revenues	$ 1,299,343	$ 716,570	$ 716,784
Less:			
Costs of products sold	1,301,882	689,935	686,790
Operating expense	5,302	3,621	995
Unrealized gain (loss) on commodity derivatives, net	(40)	(989)	(1,900)
Segment profit	$ (7,801)	$ 24,003	$ 30,899

2017 versus 2016

Revenue

Revenue increased in 2017 to $1.3 billion from $717 million in 2016.

	Year Ended December 31,		
(in thousands)	**2017**	**2016**	**2015**
Gross product revenue	$ 4,616,804	$ 3,118,759	$ 2,783,642
Nonmonetary transaction adjustment	(3,317,421)	(2,401,200)	(2,064,958)
Unrealized gain (loss) on commodity derivatives, net	(40)	(989)	(1,900)
Product revenue	$ 1,299,343	$ 716,570	$ 716,784

Gross product revenue increased in 2017 to $4.6 billion from $3.1 billion in 2016. The increase was primarily due to an increase in the volume sold to 92 million barrels at an average sales price of $50 per barrel in 2017, from the volume sold of 75 million barrels at an average sales price of $42 per barrel in 2016. Volumes increased as compared to prior year due to additional location trades.

Gross product revenue was reduced by $3.3 billion and $2.4 billion during 2017 and 2016, respectively, in accordance with Accounting Standards Codification (ASC) 845-10-15, "*Nonmonetary Transactions,*" ("ASC 845-10-15"). ASC 845-10-15 requires that certain transactions -- those where inventory is purchased from a customer then resold to the same customer -- to be presented in the income statement on a net basis, resulting in a reduction of revenue and costs of products sold by the same amount.

Cost of Products Sold

Costs of products sold increased in 2017 to $1.3 billion (including $42.5 million intersegment transportation and facility expense) from $689.9 million in 2016 (including $37.5 million intersegment transportation and facility expense). The cost of products sold reflect reductions of $3.3 billion and $2.4 billion in 2017 and 2016, respectively, in accordance with ASC 845-10-15. There was an increase in the barrels sold, as described above, combined with an increase in the average per barrel cost of crude oil to $50 in 2017 from $41 in 2016.

The increase in cost of products sold outpaced the increase in revenue leading to a decrease in segment profit of $31.8 million as compared to the prior year. This is primarily due to lower blending margins of $8.2 million due to increased competition at Cushing, lower contango margins of $5.8 million, increased pipeline transportation fees of $8.2 million related to firm commitments beginning in June 2017 and increased truck transportation fees of $7.3 million related to increased volume.

Operating Expense

Operating expense increased in 2017 to $5.3 million from $3.6 million in 2016 due to increases in employment, field expense, maintenance and repair, outside services, insurance and taxes, travel and other expense.

2016 versus 2015

Revenue

Revenue remained constant at $717 million in 2016 and 2015.

Gross product revenue increased in 2016 to $3.1 billion from $2.8 billion in 2015. The increase was primarily due to an increase in the volume sold to 75 million barrels at an average sales price of $42 per barrel in 2016, from the volume sold of 57 million barrels at an average sales price of $49 per barrel in 2015.

Gross product revenue was reduced by $2.4 billion and $2.1 billion during 2016 and 2015, respectively, in accordance with ASC 845-10-15.

Costs of Products Sold

Costs of products sold increased in 2016 to $689.9 million (including $37.6 million intersegment transportation and facility expense) from $686.8 million in 2015, (including $15 million intersegment transportation and facility expense). The cost of products sold reflects reductions of $2.4 billion and $2.1 billion in 2016 and 2015, respectively, in accordance with ASC 845-10-15. There was an increase in the barrels sold, as described above, combined with a decrease in the average per barrel cost of crude oil to $41 in 2016 from $48 in 2015.

Operating Expense

Operating expense increased in 2016 to $3.6 million from $1.0 million in 2015 due to increases in employment, outside services and insurance and taxes expense.

HFOTCO

(in thousands)	Year Ended December 31, 2017
Revenues:	
Service	$ 71,042
Lease	5,843
Total revenues	76,885
Less:	
Operating expense	15,349
Segment profit	$ 61,536

The amounts included in the table above reflect the results of HFOTCO subsequent to its acquisition. Service revenue includes $60.5 million of storage fee revenue and $10.5 million of throughput and ancillary service revenue. Operating expense includes $6.6 million of employment related costs, $3.9 million of fuel and utility costs and $2.6 million of maintenance expense.

SemGas

	Year Ended December 31,		
(in thousands)	2017	2016	2015
Revenues	$ 233,218	$ 218,970	$ 252,174
Less:			
Cost of products sold	135,689	120,516	144,554

Operating expense	29,724	31,924	34,198
Segment profit	$ 67,805	$ 66,530	$ 73,422

2017 versus 2016

Revenue

Revenue increased in 2017 to $233.2 million from $219.0 million in 2016. The increase was primarily due to a higher average natural gas NYMEX price of $3.108/MMbtu in 2017 versus $2.46/MMbtu in 2016, a higher average NGL basket price of $0.85/gallon in 2017 versus $0.65/gallon in 2016, and increased fees of $53 million in 2017 versus $52 million in 2016 due to higher rates. The increase was offset, in part, by lower volume (101,209 million cubic feet in 2017 versus 116,748 million cubic feet in 2016).

Costs of Products Sold

Costs of products sold increased in 2017 to $135.7 million from $120.5 million in 2016. The increase was attributable to higher prices and was offset, in part, by lower volume processed in northern Oklahoma.

Operating Expense

Operating expense decreased in 2017 to $29.7 million from $31.9 million in 2016. This decrease was due to lower equipment lease, field expense (which includes materials and supplies, lubricants, water disposal, electricity and fuel), maintenance/repair, and office expense. All decreases are primarily driven by lower volume in northern Oklahoma. These decreases were offset by increases in employment, outside services, taxes, and other expenses.

2016 versus 2015

Revenue

Revenue decreased in 2016 to $219.0 million from $252.2 million in 2015. The decrease was primarily due to lower volume (116,748 million cubic feet in 2016 versus 144,381 million cubic feet in 2015), a lower average natural gas NYMEX price of $2.46/MMbtu in 2016 versus $2.67/MMbtu in 2015 and decreased fees of $52 million in 2016 versus $59 million in 2015 due to lower volume. The decrease was offset, in part, by a higher average NGL basket price of $0.65/gallon in 2016 versus $0.62/gallon in 2015.

Costs of Products Sold

Costs of products sold decreased in 2016 to $120.5 million from $144.6 million in 2015. The decrease was attributable to lower prices and lower volume processed in northern Oklahoma.

Operating Expense

Operating expense decreased in 2016 to $31.9 million from $34.2 million in 2015. This decrease was due to lower field expense (which includes materials and supplies, lubricants, water disposal, electricity and fuel), outside services, equipment lease, employment and office expense. All decreases are primarily driven by lower volume in northern Oklahoma. These decreases were partially offset by increases in maintenance/repair and taxes.

SemCAMS

	Year Ended December 31,		
(in thousands)	**2017**	**2016**	**2015**
Revenues	$ 183,232	$ 133,216	$ 136,197
Less:			
Cost of products sold	113	122	276
Operating expense	106,845	79,830	85,683
Segment profit	$ 76,274	$ 53,264	$ 50,238

2017 versus 2016

Revenue

Revenue increased in 2017 to $183.2 million from $133.2 million in 2016. This increase was primarily due to higher operating cost recoveries of $27.6 million (primarily attributable to the K3 plant turnaround), higher gathering and processing revenue of $4.7 million, non-recurring 2016 fee concessions of $4.6 million, true-up of take-or-pay minimum volumes commitments of $4.4 million and changes in foreign currency exchange rates between periods of $3.1 million.

Operating Expense

Operating expense increased in 2017 to $106.8 million from $79.8 million in 2016. This increase was primarily due to turnaround costs related to the K3 plant, offset by lower contractor costs of $4.1 million.

2016 versus 2015

Revenue

Revenue decreased in 2016 to $133.2 million from $136.2 million in 2015. This decrease was primarily due to changes in foreign exchange rates between periods, a decrease in gathering and processing revenues related to fee concession arrangements with producers, lower operating costs recoveries and lower maintenance capital recovery and lower overhead recoveries of $4.6 million, $4.5 million, $3.4 million and $2.6 million, respectively. These decreases were offset by a net $9.2 million in higher gathering and processing revenue ($11.7 in revenue, excluding a decrease of $2.5 million in gathering and processing revenues related to a 30-day unplanned outage at the K3 plant during the second quarter of 2016) and an increase in fees of $3.8 million on true-up of take-or-pay minimum volume commitments.

Operating Expense

Operating expense decreased in 2016 to $79.8 million from $85.7 million in 2015. This decrease was primarily due to lower costs for power, materials, accretion and the impact of changes in foreign exchange rates between periods. These decreases were partially offset by increased repair costs and higher greenhouse gas credit purchases.

Corporate and Other

	Year Ended December 31,		
(in thousands)	**2017**	**2016**	**2015**
Revenues	$ 129,386	$ 115,047	$ 206,991
Less:			
Costs of products sold	77,207	62,858	147,929
Operating expense	18,942	17,528	21,428
Unrealized gain (loss) on commodity derivatives, net	—	—	(114)
Plus:			
Earnings from equity method investments	(14)	2,147	11,416
Adjustments to reflect NGL Energy equity earnings on a cash basis	14	2,726	7,658
Segment profit	$ 33,237	$ 39,534	$ 56,822

Corporate and Other is not an operating segment. This table is included to permit the reconciliation of segment information to that of the consolidated Company. The amounts reported for the years ended December 31, 2016 and 2015 above have been recast to include our former U.K. and Mexico segments which, subsequent to our acquisition of HFOTCO, are no longer expected to be significant for separate presentation. The main activities of our U.K. operations are the receipt, storage and redelivery of clean petroleum and crude oil products via sea-going vessels. Our U.K. revenue is based on fixed-fee storage tank leases and related services. Revenue from our Mexico operations is based on contractual arrangements with customers for liquid asphalt cement. Earnings from equity method investments in the table above relates to our investments in NGL Energy.

2017 versus 2016

The increase in revenue relates primarily to higher revenues in our Mexico operations ($155 million in 2017 compared to $139 million in 2016), mostly due to higher product sales prices, partially offset by slightly lower volume and foreign exchange impacts between periods. Revenue in our U.K. operations increased to $28 million in 2017 compared to $24 million in 2016, primarily as a result of increased storage volume thereby creating increased throughput revenue and storage volume and price variances. The remaining change was primarily due to an increase in the intersegment eliminations which are reported in Corporate and Other. Intersegment revenues relate to fees for services provided by our Crude Transportation and Crude Facilities segments and product sales from our SemGas segment to our Crude Supply and Logistics segment.

Costs of products sold

The increase in costs of products sold relates primarily to higher costs in Mexico ($131 million in 2017 compared to $111 million in 2016), as a result of higher unit costs in Mexico, partially offset by lower volume.

2016 versus 2015

Revenues

The decrease in revenue relates primarily to lower revenue in our Mexico operations of $139 million in 2016 compared to $211 million in 2015. This decrease was due to significantly lower sales prices and the impact of foreign exchange rate changes between periods, respectively, partially offset by slightly higher volume. The remaining change was primarily due to an increase in the intersegment eliminations which are reported in Corporate and Other. Intersegment revenues relate to fees for services provided by our Crude Transportation and Crude Facilities segments and product sales from our SemGas segment to our Crude Supply and Logistics segment.

Costs of products sold

The decrease in costs of products sold relates primarily to Mexico ($111 million in 2016 compared to $175 million in 2015), primarily due to lower costs and the impact of foreign exchange rate changes between periods of $44 million and $21 million, respectively, partially offset by higher volume of $2 million.

Earnings from Equity Method Investments

The decrease in earnings from equity method investments is due to the sale of our limited partner interest in NGL Energy in April of 2016.

Liquidity and Capital Resources

Sources and Uses of Cash

Our principal sources of short-term liquidity are cash generated from our operations and borrowings under our revolving credit facilities. The consolidated cash balance on December 31, 2017 was $93.7 million. Of this amount, $33.6 million was held in Canada and may be subject to tax if transferred to the U.S. Potential sources of long-term liquidity include issuances of debt securities and equity securities and the sale of assets. Our primary cash requirements currently are operating expenses, capital expenditures, debt payments and our quarterly dividends. In general, we expect to fund:

- operating expenses, maintenance capital expenditures and cash dividends through existing cash and cash from operating activities;
- expansion capital expenditures and any working capital deficits through cash on hand, borrowings under our credit facilities and the issuance of debt securities and equity securities;
- acquisitions, including the Second Payment, through cash on hand, borrowings under our credit facilities, the issuance of debt securities and equity securities and proceeds from the divestiture of assets or interests in assets; and
- debt principal payments through cash from operating activities and refinancings when the credit facility becomes due.

Our ability to meet our financing requirements and fund our planned capital expenditures will depend on our future operating performance and distributions from our equity investments, which will be affected by prevailing economic conditions in our industry. In addition, we are subject to conditions in the debt and equity markets for any issuances of debt securities and equity securities. There can be no assurance we will be able or willing to access the public or private markets in the future. If we would be unable or unwilling to access those markets, we could be required to restrict future cash outlays, such as expansion capital expenditures and potential future acquisitions.

We believe our cash from operations and our remaining borrowing capacity allow us to manage our day-to-day cash requirements, distribute our quarterly dividends and meet our capital expenditure commitments for the coming year.

The following table summarizes our changes in unrestricted cash for the periods presented:

(in thousands)	Year Ended December 31, 2017	2016	2015
Statement of cash flow data:			
Cash flows provided by (used in):			
Operating activities	$ 140,476	$ 169,974	$ 181,762
Investing activities	(439,801)	(228,284)	(442,141)
Financing activities	315,256	75,909	277,027
Subtotal	15,931	17,599	16,648
Effect of exchange rate on cash and cash equivalents	3,552	(1,479)	850
Change in cash and cash equivalents	19,483	16,120	17,498
Cash and cash equivalents at beginning of period	74,216	58,096	40,598
Cash and cash equivalents at end of period	$ 93,699	$ 74,216	$ 58,096

Operating Activities

The components of operating cash flows can be summarized as follows:

(in thousands)	Year Ended December 31, 2017	2016	2015
Net income	$ (17,150)	$ 13,262	$ 42,812
Non-cash expenses, net	190,649	178,678	152,142
Changes in operating assets and liabilities	(33,023)	(21,966)	(13,192)
Net cash flows provided by operating activities	$ 140,476	$ 169,974	$ 181,762

2017 Compared to 2016

Adjustments to net income for non-cash expenses increased to $190.6 million in 2017 from $178.7 million in 2016. Significant changes from prior year include:

- a $59.6 million increase in depreciation and amortization expense primarily due to the HFOTCO acquisition;
- a $19.9 million loss on the early extinguishment of our 2021 Notes in the current year;
- a $6.4 million increase due to lower current year earnings from equity method investments as compared with the prior year primarily due to lower White Cliffs volumes and the prior year sale of our limited partner investment in NGL Energy;

These increases to non-cash adjustment to net income were offset by:

- $30.6 million decrease due to the prior year other-than-temporary impairment recorded on our limited partner investment in NGL Energy, partially offset by prior year gain on the sale of our common limited partner units of NGL Energy;
- a decrease of $18.3 million due to a deferred tax benefit in the current year compared to deferred tax expense in the prior year primarily as a result of changes to federal statutory income tax rates and a current year pre-tax loss compared with prior year pre-tax income;
- a $9.7 million decrease in distributions from equity method investees primarily due to the disposition of our limited partner unit investment in NGL Energy in the prior year and lower volumes on White Cliffs;
- a $9.5 million decrease due to current year currency gains as compared to prior year currency losses;
- a $3.0 million decrease due to a pension curtailment gain related to the HFOTCO pension which was curtailed subsequent to acquisition; and
- a decrease of $2.7 million in losses on disposal and impairments primarily due to current year gain on disposal of Glass Mountain offset by impairments related to the held for sale status of our Mexican asphalt business and our U.K. operations and current year impairments to SemGas and Crude Transportation assets.

Changes in operating assets and liabilities during the year ended December 31, 2017 relative to the prior year-end consisted primarily of:

- $213.6 million increase in accounts receivable, including receivable from affiliates, generally due to higher commodity prices and volumes;
- $17.9 million increase in inventory primarily due to increased inventory of our Crude Supply and Logistics segment due to an additional 0.3 million barrels of crude oil on hand at a higher weighted average cost;
- $190.4 million increase in accounts payable, including payable to affiliates, and accrued liabilities generally due to higher prices and volumes and timing of purchases; and
- $19.4 million increase in other noncurrent liabilities primarily due to accretion of the Second Payment.

2016 Compared to 2015

Non-cash expenses increased to $178.7 million in 2016 from $152.1 million in 2015. Significant changes from prior year include:

- $45.2 million increase due to the current year other-than-temporary impairment recorded on our limited partner investment in NGL Energy, partially offset by current year gain on the sale of our common limited partner units of NGL Energy, and prior year gains on the sale of a portion of our common limited partner units of NGL Energy, net of related costs;
- a $7.6 million increase due to lower current year earnings from equity method investments as compared with the prior year primarily due to Glass Mountain and NGL Energy;
- an increase of $6.4 million due to a small current year loss on the issuance of common units of an equity method investee as compared to prior year gains;
- a $5.8 million increase due to current year currency losses as compared to prior year currency gains;
- an increase of $4.6 million in losses on disposal and impairments primarily due to the impairment of our SemGas segment's goodwill in the current year; and
- an increase of $2.5 million in amortization of debt issuance costs primarily due to the write-off of costs related to the Rose Rock credit facility which was terminated.

These increases to non-cash adjustment to net income were partially offset by:

- a decrease of $20.8 million in deferred tax expense primarily due to lower pre-tax book income net of amounts attributable to noncontrolling interests;
- a $19.0 million decrease in distributions from equity method investees due to the disposition of our limited partner unit investment in NGL Energy and lower volumes on Glass Mountain;
- a $2.6 million decrease due to prior year inventory valuation adjustments which did not reoccur in the current year; and
- a $2.1 million decrease in depreciation and amortization expense.

Changes in operating assets and liabilities during the year ended December 31, 2016 relative to the prior year-end consisted primarily of:

- $110.4 million increase in accounts receivable, including receivable from affiliates, generally due to higher commodity prices and volumes;
- $30.7 million increase in inventory primarily due to increased inventory of our Crude Supply and Logistics segment;
- $116.2 million increase in accounts payable, including payable to affiliates, and accrued liabilities generally due to higher prices and volumes and timing of purchases; and
- $2.6 million increase in other noncurrent liabilities.

Investing Activities

For the year ended December 31, 2017, we had net cash outflows of $439.8 million, primarily as a result of $462.7 million in capital expenditures, $294.2 million cash paid as a portion of the first payment to acquire HFOTCO and $26.4 million in contributions to equity method investments. These cash outflows were offset, in part, by cash inflows of $314.8

million in proceeds from the sale of long-lived assets, primarily due to the Glass Mountain disposal, and $28.8 million in distributions from equity method investments in excess of equity in earnings. Capital expenditures included the Crude Transportation segment's projects including the Maurepas Pipeline project, our SemGas segment's northern Oklahoma expansion projects and SemCAMS' Wapiti expansion. Distributions in excess of equity earnings represent cash distributions from White Cliffs and Glass Mountain in excess of our cumulative equity in earnings and are accounted for as a return of investment.

For the year ended December 31, 2016, we had net cash outflows of $228.3 million, primarily as a result of $312.5 million in capital expenditures and $4.2 million in contributions to equity method investments. These cash outflows were offset, in part, by cash inflows of $60.5 million in proceeds from the sale of common units of NGL Energy, an equity method investee, and $27.7 million in distributions from equity method investments in excess of equity in earnings. Capital expenditures included the Crude Transportation segment's projects including the Maurepas Pipeline project, our SemGas segment's northern Oklahoma expansion projects and SemCAMS' Wapiti expansion. Distributions in excess of equity earnings represent cash distributions from White Cliffs and Glass Mountain in excess of our cumulative equity in earnings and are accounted for as a return of investment.

For the year ended December 31, 2015, we had net cash outflows of $442.1 million, primarily as a result of $479.5 million in capital expenditures and $46.7 million in contributions to equity method investments. These cash outflows were offset, in part, by cash inflows of $56.3 million in proceeds from the sale of common units of NGL Energy, an equity method investee, $24.1 million in distributions from equity method investments in excess of equity in earnings and $3.7 million in proceeds from the sale of long-lived assets. Capital expenditures included the Crude Transportation segment's projects, which included the Maurepas Pipeline project, our SemGas segment's northern Oklahoma gas gathering and processing expansion and SemCAMS' Wapiti Pipeline expansion. Contributions to equity method investments related primarily to the White Cliffs Pipeline expansion.

Financing Activities

For the year ended December 31, 2017, we had net cash inflows of $315.3 million, primarily as a result of $1.5 billion of borrowings and assumption of HFOTCO indebtedness (offset by $1.1 billion of principal payments), partially offset by $129.9 million of dividends paid, $16.3 million of debt extinguishment costs and $11.1 million of payments related to debt issuances. Debt extinguishment costs related to the early payoff of our 2021 Notes. Debt issuance costs primarily related to the issuance of our 2025 and 2026 Notes.

For the year ended December 31, 2016, we had net cash inflows of $75.9 million, primarily as a result of $382.5 million of borrowings (offset by $396.9 million of principal payments) and $223.0 million in proceeds from the issuance of common shares (net of offering costs), partially offset by $92.9 million of dividends paid, $32.1 million of cash distributions to noncontrolling interests and $7.7 million of payments related to debt issuances. Debt issuance costs primarily relate to the increase in capacity under the SemGroup credit facility.

For the year ended December 31, 2015, we had net cash inflows of $277.0 million, primarily as a result of $307.2 million of net borrowings on debt ($867.2 million of borrowings, net of $560.0 million of principal payments), $89.1 million in proceeds from the issuance of Rose Rock common units, $69.5 million of dividends paid, $40.4 million of cash distributions to noncontrolling interests and $6.3 million of payments related to debt issuances. Net borrowings were primarily used for capital expenditures and contributions to equity method investees. Proceeds from issuances of equity by Rose Rock were used to fund Rose Rock's acquisition of Wattenberg Oil Trunkline and Glass Mountain from SemGroup. Debt issuance costs primarily related to the issuance of Rose Rock's senior unsecured notes due 2023.

Long-term Debt

SemGroup Senior Unsecured Notes

At December 31, 2017, we had outstanding $400 million of 5.625% senior unsecured notes due 2022, $350 million of 5.625% senior unsecured notes due 2023, $325 million of 6.375% senior unsecured notes due 2025 and $300 million of 7.250% senior unsecured notes due 2026 (collectively, the "Notes"). The Notes are governed by indentures, as supplemented, between the Company and its subsidiary guarantors and Wilmington Trust, N.A., as trustee (the “Indentures”). The Indentures include customary covenants and events of default.

At December 31, 2017, we were in compliance with the terms of the Indentures.

SemGroup Revolving Credit Facility

At December 31, 2017, we had $131.0 million of cash borrowings outstanding under our $1.0 billion revolving credit facility. In addition, we had $39.4 million in outstanding letters of credit on that date. The maximum letter of credit capacity under this facility is $250 million. The facility can be increased up to $300 million with the consent of the administrative agent. The credit agreement expires on March 15, 2021.

The credit agreement includes customary affirmative and negative covenants, including limitations on the creation of new indebtedness, liens, sale and lease-back transactions, new investments, making fundamental changes including mergers and consolidations, making of dividends and other distributions, making material changes in our business, modifying certain documents and maintenance of a consolidated leverage ratio and an interest coverage ratio. In addition, the credit agreement prohibits any commodity transactions that are not permitted by our Risk Governance Policies.

The terms of our credit facility restrict, to some extent, the payment of cash dividends on our common stock. The credit agreement is guaranteed by all of our material domestic subsidiaries, with the exception of HFOTCO, and secured by a lien on substantially all of our property and assets, subject to customary exceptions.

At December 31, 2017, we had available borrowing capacity of $829.6 million under this facility.

On April 4, 2017, we amended the credit agreement to restate the pricing grid. The applicable margin for borrowings under the facility were amended to the following:

Leverage Ratio	ABR Loans	Eurodollar Loans
Category 1: Greater than 4.50 to 1.00	1.75%	2.75%
Category 2: Less than or equal to 4.50 to 1.00 but greater than 4.00 to 1.00	1.50%	2.50%
Category 3: Less than or equal to 4.00 to 1.00 but greater than 3.50 to 1.00	1.25%	2.25%
Category 4: Less than or equal to 3.50 to 1.00 but greater than 3.00 to 1.00	1.00%	2.00%
Category 5: Less than or equal to 3.00 to 1.00	0.75%	1.75%

HFOTCO Debt Assumption and Revolving Credit Facility

On July 17, 2017 (the "Closing Date"), we completed the acquisition of HFOTCO and assumed approximately $766 million of existing net debt at HFOTCO, which has been adjusted to fair value through acquisition accounting. As of the Closing Date, the assumed debt at HFOTCO consisted of $534.9 million of senior secured term loans and $225 million of limited obligation revenue bonds due November 1, 2050 (the “IKE Bonds”). In addition, HFOTCO has a $75 million senior secured revolving credit facility. HFOTCO indebtedness is non-recourse to the Company. At December 31, 2017, HFOTCO’s senior secured revolving credit facility had outstanding borrowings of $60.0 million.

At HFOTCO’s option, outstanding senior secured term loan and outstanding senior secured revolver borrowings bear interest at either the Eurodollar rate or an alternate base rate (“ABR”) plus, in each case, an applicable margin. After the Closing Date, the applicable margin relating to outstanding senior secured term loans is 3.5% per annum for Eurodollar loans or 2.5% per annum for ABR loans and the applicable margin relating to outstanding senior secured revolver borrowings is 3.25% per annum for Eurodollar loans or 2.25% per annum for ABR loans. The rate of interest for the IKE Bonds is determined to August 19, 2019, at 1-month LIBOR plus the applicable spread, which ranges from 1.25% to 1.65% per annum based on reference to a super senior leverage based pricing grid. Senior secured term loans require quarterly payments of 0.25% of the original $550 million loan amount and mature on August 19, 2021. Senior secured revolving borrowings mature on August 19, 2019. HFOTCO may request an increase of up to an additional $25 million of incremental revolving commitments under the revolving credit facility or the incurrence of up to an additional $100 million of incremental term loans. Senior secured term loans, borrowings under the senior secured revolving credit facility and the IKE Bonds are guaranteed by BGCT and secured by a lien on substantially all of the assets of HFOTCO.

The agreement governing HFOTCO senior secured term loans and senior secured revolver borrowings (the “HFOTCO Credit Agreement”) includes customary representations and warranties and affirmative and negative covenants, which were made only for the purposes of the HFOTCO Credit Agreement and as of the specific date (or dates) set forth therein, and may be subject to certain limitations as agreed upon by the contracting parties, and apply only to BGCT, HFOTCO and any subsidiaries of HFOTCO party to the HFOTCO Credit Agreement. Such limitations include the creation of new liens, indebtedness, making of certain restricted payments and payments on indebtedness, making certain dispositions, making material changes in business activities, making fundamental changes including liquidations, mergers or consolidations, making certain investments, entering into certain transactions with affiliates, making amendments to material agreements, modifying the fiscal year, dealing with hazardous materials in certain ways, entering into certain hedging arrangements, entering into certain restrictive agreements, and funding or engaging in sanctioned activities.

In addition, the HFOTCO Credit Agreement contains a financial performance covenant as follows (the "HFOTCO Financial Covenant"): if the aggregate revolving exposure exceeds 25% of the HFOTCO Revolving Commitments, the total adjusted net leverage ratio of BGCT and its restricted subsidiaries under the HFOTCO Credit Agreement may not exceed 7.50 to 1.00 as of the last day of any fiscal quarter. The financial performance covenant is solely for the benefit of the lenders holding HFOTCO Revolving Commitments or HFOTCO Revolving Loans.

The HFOTCO Credit Agreement includes customary events of default, including events of default relating to inaccuracy of representations and warranties in any material respect when made or when deemed made, non-payment of principal and other amounts owing under the HFOTCO Credit Agreement, including in respect of letter of credit disbursement obligations, violation of covenants, cross acceleration to any material indebtedness of BGCT, HFOTCO and its subsidiaries, bankruptcy and insolvency events, certain unsatisfied judgments, certain ERISA events, certain invalidities of loan documents and the occurrence of a change of control (excluding the change of control occurring on the Closing Date). A default of the HFOTCO Financial Covenant will not constitute an event of default unless lenders holding a majority of the HFOTCO Revolving Commitments and HFOTCO Revolving Loans request that the administrative agent accelerate the maturity of the outstanding HFOTCO Revolving Loans due to a breach of the HFOTCO Financial Covenant. A default under the HFOTCO Credit Agreement would permit the participating banks to terminate commitments, require immediate repayment of any outstanding loans with interest and any unpaid accrued fees, require the cash collateralization of outstanding letter of credit obligations, and subject to intercreditor arrangements with the holders of the IKE Bonds referred to below, exercise other rights and remedies.

The IKE Bond Indentures include customary events of default, including non-payment of principal of or interest on the IKE Bonds, violation of covenants (including under the applicable HCIDC Loan Agreement), bankruptcy and insolvency events, and an event of default under the Continuing Covenant Agreement described below. On August 19, 2019, the IKE Bonds may be converted to bear interest on other terms for a successive term or terms on certain conditions at the option of HFOTCO and, if not converted, will continue to bear interest for successive 5-year terms at 3-month LIBOR plus a spread to be determined by a remarketing agent. If the IKE bonds are not remarketed to investors on August 19, 2019, or the end of any successive interest rate term, at a price equal to their principal amount, they must be purchased by HFOTCO under the HCIDC Loan Agreement for a price equal to their principal amount. The IKE Bonds mature on November 1, 2050.

In connection with the conversion of the interest rate mode of the IKE Bonds from the Weekly Mode to the LIBOR Term Indexed Mode contemporaneously with execution and delivery of the IKE Bond Indentures, certain purchasers purchased the IKE Bonds, and BGCT and HFOTCO, entered into a Continuing Covenant Agreement (the "Existing Continuing Covenant Agreement"), dated as of August 19, 2014, by and among BGCT, as the parent, HFOTCO, as obligor, Bank of America, N.A., as administrative agent and collateral agent, and the bondholders party thereto. In connection with the closing, the Existing Continuing Covenant Agreement was modified pursuant to that certain Consent and Amendment (the "CCA Amendment"; the Existing Continuing Covenant Agreement, as modified by the CCA Amendment, the "Continuing Covenant Agreement"), dated as of June 5, 2017 and effective as of the Closing Date.

The Continuing Covenant Agreement includes customary representations and warranties and affirmative and negative covenants, which were made only for the purposes of the Continuing Covenant Agreement and as of the specific date (or dates) set forth therein, may be subject to certain limitations as agreed upon by the contracting parties, and apply only to BGCT, HFOTCO and any subsidiaries of HFOTCO party to the Continuing Covenant Agreement. Such covenants include limitations on the creation of new liens, indebtedness, making of certain restricted payments and payments on indebtedness, making certain dispositions, making material changes in business activities, making fundamental changes including liquidations, mergers or consolidations, making certain investments, entering into certain transactions with affiliates, making amendments to certain credit or organizational agreements, modifying the fiscal year, creating or dealing with hazardous materials in certain ways, entering into certain hedging arrangements, entering into certain restrictive agreements, funding or engaging in sanctioned activities, taking actions or causing the trustee to take actions that materially adversely affect the rights, interests, remedies or security of the bondholders, taking actions to remove the trustee, making certain amendments to the bond documents, and taking actions or omitting to take actions that adversely impact the tax-exempt status of the IKE Bonds.

In addition, the Continuing Covenant Agreement contains financial performance covenants as follows:

- the super senior leverage ratio of BGCT and its restricted subsidiaries under the Continuing Covenant Agreement may not exceed 3.50 to 1.00 as of the last day of any fiscal quarter; and
- the interest coverage ratio of BGCT and its restricted subsidiaries under the Continuing Covenant Agreement may not be less than 2.00 to 1.00 as of the last day of any fiscal quarter.

The Continuing Covenant Agreement includes customary events of default, including events of default relating to the inaccuracy of representations and warranties in any material respect when made or when deemed made, non-payment of principal and other amounts owing under the Continuing Covenant Agreement, violation of covenants, acceleration of or right of holders to accelerate any material indebtedness of BGCT, HFOTCO and its subsidiaries, bankruptcy and insolvency events, certain unsatisfied judgments, certain ERISA events, certain invalidities of bond, guaranty or collateral documents and the occurrence of a change of control (excluding the change of control occurring on the Closing Date). A default under the Continuing Covenant Agreement would permit the bondholders to accelerate outstanding obligations under the Continuing Covenant Agreement (other than the IKE Bonds), direct the trustee to accelerate the IKE Bonds, and subject to intercreditor arrangements with the creditors of the HFOTCO Credit Agreement, exercise other rights and remedies.

HFOTCO Second Payment

In addition to the assumed debt discussed above, we are required to make the Second Payment as part of the consideration for the acquisition of HFOTCO. The Second Payment requires us to pay the Sellers $600 million in cash if paid on December 31, 2018. If paid prior to December 31, 2018, the amount payable will be discounted by 5% per annum. If not paid by December 31, 2018, the amount payable increases to $680 million and is due by December 31, 2019 or earlier if requested by the Sellers.

Mexico Revolving Credit Facility

We have a credit facility in Mexico that allows the borrowing of up to $70 million Mexican pesos (U.S. $3.6 million equivalent at the December 31, 2017 exchange rate) which matures in May 2018. There were no outstanding borrowings on the facility at December 31, 2017. At December 31, 2017, we had outstanding letters of credit in Mexico of $292.8 million Mexican pesos (U.S. $14.9 million equivalent at the December 31, 2017 exchange rate).

Shelf Registration Statement

We have access to a universal shelf registration statement which provides us the ability to offer and sell an unlimited amount of debt and equity securities, subject to market conditions and our capital needs. This shelf registration statement expires in March 2019.

We have also established an "at the market" offering program under this shelf registration statement, which provides for the offer and sale, from time to time, of common shares having an aggregate offering price of up to $300 million. We are able to make sales in transactions at prices which are prevailing market prices at the time of sale, prices related to market prices or at negotiated prices. Such sales may be made pursuant to an Equity Distribution Agreement between us and certain agents who may act as sales agents or purchase for their own accounts as principals. To date, there have been no such sales.

Registration Rights Agreements

In connection with the closings of the March 2017 offering of $325 million of senior unsecured notes due 2025 and the September 2017 offering of $300 million of senior unsecured notes due 2026 (collectively, the “Notes”), we and certain of our wholly-owned subsidiaries, as Guarantors, entered into registration rights agreements (collectively, the “Registration Rights Agreements”). Under the Registration Rights Agreements, we and the Guarantors have agreed to file registration statements with the Securities and Exchange Commission so that holders of the Notes can exchange the Notes and the related guarantees for registered notes and guarantees that have substantially identical terms as the Notes and related guarantees, within 365 days after the original issuance. In certain circumstances, we and the Guarantors may be required to file shelf registration statements to cover resales of the Notes. These registration statements were declared effective in January 2018.

Capital Requirements

The midstream energy business can be capital intensive, requiring significant investment for the maintenance of existing assets or acquisition or development of new systems and facilities. We categorize our capital expenditures as either:

- expansion capital expenditures, which are cash expenditures incurred for acquisitions or capital improvements that we expect will increase our operating income or operating capacity over the long-term; or
- maintenance capital expenditures, which are cash expenditures (including expenditures for the addition or improvement to, or the replacement of, our capital assets or for the acquisition of existing, or the construction or development of new, capital assets) made to maintain our long-term operating income or operating capacity.

During the year ended December 31, 2017, we spent $462.7 million (cash basis), on capital projects. Projected capital expenditures, excluding capitalized interest, for 2018 are estimated at $310 million in expansion projects, including capital contributions to equity method investees to fund growth projects, and $40 million in maintenance projects. These estimates may change as future events unfold. See "Cautionary Note Regarding Forward-Looking Statements."

In addition to our budgeted capital program, we anticipate that we will continue to make significant expansion capital expenditures in the future. Consequently, our ability to develop and maintain sources of funds to meet our capital requirements is critical to our ability to meet our growth objectives. We expect that our future expansion capital expenditures will be funded by cash from operations, borrowings under our credit facilities and the issuance of debt and equity securities.

SemGroup Dividends

The table below sets out the dividends declared and/or paid by SemGroup for the periods indicated.

Quarter Ended	Record Date	Payment Date	Dividend Per Share
March 31, 2016	March 7, 2016	March 17, 2016	$0.45
June 30, 2016	May 16, 2016	May 26, 2016	$0.45
September 30, 2016	August 15, 2016	August 25, 2016	$0.45
December 31, 2016	November 18, 2016	November 28, 2016	$0.45
March 31, 2017	March 7, 2017	March 17, 2017	$0.45
June 30, 2017	May 15, 2017	May 26, 2017	$0.45
September 30, 2017	August 18, 2017	August 28, 2017	$0.45
December 31, 2017	November 20, 2017	December 1, 2017	$0.45
March 31, 2018	March 9, 2018	March 19, 2018	$0.4725

On January 19, 2018, we sold to certain institutional investors, in a private placement, an aggregate of 350,000 shares of our Series A Cumulative Perpetual Convertible Preferred Stock, par value $0.01 per share (the “Preferred Stock”), convertible into 10,606,061 shares (subject to adjustment) of our Class A common stock. Holders of the Preferred Stock will receive quarterly distributions equal to an annual rate of 7.0% ($70.00 per share annualized) of $1,000 per share of Preferred Stock, subject to certain adjustments. With respect to any quarter ending on or prior to June 30, 2020, we may elect, in lieu of paying a distribution in cash, to have the amount that would have been payable if such dividend had been paid in cash added to the Liquidation Preference.

Credit Risk

We are subject to risks of loss resulting from nonpayment or nonperformance by our customers. We examine the creditworthiness of third-party customers to whom we extend credit and manage our exposure to credit risk through credit analysis, credit approval, credit limits and monitoring procedures, and for certain transactions, we may request letters of credit, prepayments or guarantees.

Customer Concentration

Shell Trading (US) Company, a customer of our Crude Supply and Logistics segment, accounted for more than 10% of our consolidated revenue for the year ended December 31, 2017, at approximately 31%. The contracts from which our revenues are derived from this customer relate to our crude marketing operations and are for crude oil purchases and sales at market prices. We are not substantially dependent on such contracts and believe that if we were to lose any or all of these contracts, they could be readily replaced under substantially similar terms. Although we have contracts with customers of varying durations, if one or more of our major customers were to default on their contract, or if we were unable to renew our contract with one or more of these customers on favorable terms, we might not be able to replace any of these customers in a timely fashion, on favorable terms or at all. In any of these situations, our revenues and our ability to pay cash dividends to our stockholders may be adversely affected. We expect our exposure to risk of non-payment or non-performance to continue as long as we remain substantially dependent on a relatively small number of customers for a substantial portion of our revenues.

Our SemGas segment has a significant concentration of producers which account for a large portion of our SemGas segment's volumes. During the year ended December 31, 2017, two producers accounted for approximately 88% of our total processed volumes. During the year ended December 31, 2017, two producers accounted for 91% of our total gathered volumes. Additionally, all of the gathering and processing volumes from these customers are produced in the Northern Oklahoma region.

Our SemCAMS processing plants require a minimum rate of sulfur tonnage to operate and to comply with the regulatory requirements for air emissions. We have several large producers that provide significant sour gas to our plants. If these producers shut in their sour gas production due to current or future commodity prices, it could result in regulatory non-compliance, as well as operating and financial impacts to SemCAMS. We expect to mitigate this risk for our KA plant through a sulfur turn-down project that is expected to be placed in-service in 2018.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements as defined by Item 303 of Regulation S-K.

Commitments

Contractual Obligations

In the ordinary course of business we enter into various contractual obligations for varying terms and amounts. The following table includes our contractual obligations as of December 31, 2017, and our best estimate of the period in which the obligation will be settled (in thousands):

	2018	2019	2020	2021	2022	Thereafter
Long-term debt (1)	$ 605,525	$ 65,500	$ 5,500	$ 646,625	$ 400,000	$ 1,200,000
Interest (1)	128,153	127,050	125,259	109,188	79,710	282,234
Capital leases	25	—	—	—	—	—
Operating leases	6,750	7,174	6,409	5,896	4,376	60,790
Take-or-pay commitments (2)	32,182	31,444	29,449	20,151	19,984	23,103
Purchase commitments (3)	725,479	—	—	—	—	—
Capital expenditure expansion projects	206,000	53,000	—	—	—	—
Total	$ 1,704,114	$ 284,168	$ 166,617	$ 781,860	$ 504,070	$ 1,566,127

(1) Assumes interest rates, fee rates and letters of credit and loans outstanding as of December 31, 2017, and that same remain constant thereafter until maturity except for required principal payments. Long-term debt in 2018 includes the Second Payment which is expected to be paid in 2018, but which isn't reflected as current in the balance sheet as payment is not contractually required until after December 31, 2018.

(2) Take-or-pay commitments include: (a) a five-year transportation take-or-pay agreement with White Cliffs for approximately 5,000 barrels per day which began in October 2015; (b) a seven-year transportation take-or-pay agreement for 5,000 barrels per day on a third-party pipeline which began in June 2017; and (c) a commitment related to fractionation of natural gas liquids through 2023.

(3) The bulk of the commitments shown in the table above relate to agreements to purchase product from a counterparty and to sell a similar amount of product (in a different location) to the same counterparty. Many of the commitments shown in the table above are cancellable by either party, as long as notice is given within the time frame specified in the agreement (generally 30 to 120 days).

In addition to the items in the table above, we have entered into various operational commitments and agreements related to pipeline operations and to the marketing, transportation, terminalling and storage of petroleum products. We have also entered into certain derivative instruments. See Note 12 of our consolidated financial statements beginning on page F-1 of this Form 10-K.

Letters of Credit

In connection with our purchasing activities, we provide certain suppliers and transporters with irrevocable standby letters of credit to secure our obligation for the purchase of petroleum products. Our liabilities with respect to these purchase obligations are recorded as accounts payable on our balance sheet in the month the petroleum products are purchased. Generally, these letters of credit are issued for 70-day periods (with a maximum of 364-day periods) and are terminated upon completion of each transaction. At December 31, 2017 and December 31, 2016, we had outstanding letters of credit of approximately $110.8 million and $82.3 million, respectively.

Critical Accounting Policies and Estimates

Management's Discussion and Analysis of Financial Condition and Results of Operations are based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the U.S. The preparation of these financial statements and related disclosures requires the application of appropriate technical accounting rules and guidance, as well as the use of estimates and judgments that affect the reported amount of assets, liabilities, revenue, expenses and related disclosures of contingent assets and liabilities. The application of these policies involves judgments regarding future events, including the likelihood of success of particular projects and legal and regulatory challenges. These judgments, in and of themselves, could materially affect the financial statements and disclosures based on varying assumptions, which may be appropriate to use. In addition, the financial and operating environment may also have a significant effect, not only on the operation of the business, but on the results reported through the application of accounting measures used in preparing the financial statements and related disclosures, even if the nature of the accounting policies have not changed.

On an on-going basis, we evaluate these estimates using historical experience, consultation with experts and other methods we consider reasonable. Actual results may differ substantially from our estimates. Any effects on our business, financial position or results of operations resulting from revisions to these estimates are recorded in the period in which the facts that give rise to the revision become known.

Our significant accounting policies are summarized in Note 3 of our consolidated financial statements beginning on page F-1 of this Form 10-K. We identify our critical accounting policies as those that are the most pervasive and important to the portrayal of our financial position and results of operations, and that require the most difficult, subjective and complex judgments by management regarding estimates about matters that are inherently uncertain.

Accounting Policy	Judgment/Uncertainty Affecting Application
Income Taxes	Ability to withstand legal challenges of tax authority decisions or appeals
	Anticipated future decisions of tax authorities
	Application of tax statutes and regulations to transactions
	Ability to use tax benefits carry forwards to future periods
Impairment of Long Lived Assets and Other Intangible Assets	Recoverability of investment through future operations
	Regulatory and political environments and requirements
	Estimated useful lives of assets
	Environmental obligations and operational limitations
	Identification of asset groups
	Estimates of future cash flows
	Estimates of fair value
	Judgment about triggering events and held-for-sale classification

Accounting Policy	Judgment/Uncertainty Affecting Application
Goodwill	Judgment about impairment triggering events Identification of reporting units Purchase price allocation Estimates of reporting unit's fair value
Derivative Instruments	Instruments used in valuation techniques Market maturity and economic conditions Contract interpretation Market conditions in the energy industry, especially the effects of price volatility on contractual commitments
Contingencies	Estimated financial impact of event Judgment about the likelihood of event occurring Regulatory and political environments and requirements

Income Taxes

At December 31, 2017, we had a cumulative U.S. federal net operating loss of approximately $165.5 million that can be carried forward to apply against taxable income generated in future years. This carry forward begins to expire in 2031. We had cumulative U.S. state net operating losses of approximately $148.7 million available for carry forward, which begin to expire in 2018. We had foreign net operating losses of $20.9 million available for indefinite carry forward and $0.4 million that will expire in 2027. We had foreign tax credits of approximately $44.6 million available for carry forward, which begin to expire in 2020.

Considerable judgment is required to determine the tax treatment of a particular item that involves interpretations of complex tax laws. We are subject to examination by taxing authorities for income tax returns filed in the U.S. federal jurisdiction and various state and foreign jurisdictions including Canada, Mexico and the U.K.

Evaluation of Long-Lived Assets and Other Intangible Assets for Impairment

In accordance with ASC 360, "*Property, Plant and Equipment*" and ASC 350, "*Intangibles – Goodwill and Other*", we evaluate property, plant and equipment and intangible assets for impairment whenever indicators of impairment exist. Examples of such indicators are:

- significant decrease in the market price of a long-lived asset;
- significant adverse change in the manner an asset is used or its physical condition;
- adverse business climate;
- accumulation of costs significantly in excess of the amount originally expected for the construction or acquisition of an asset;
- current period loss combined with a history of losses or the projection of future losses; and
- change in our intent about an asset from an intent to hold such asset through the end of its estimated useful life to a greater than fifty percent likelihood that such asset will be disposed of before then.

Recoverability of assets to be held and used is measured by comparison of the carrying amount of the assets to the future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount exceeds the fair value of the assets. Generally, fair value will be determined using valuation techniques such as the present value of expected future cash flows. However, actual future market prices and costs could vary from the assumptions used in our estimates and the impact of such variations could be material.

Goodwill

We apply ASC 805, "*Business Combinations*," and ASC 350, "*Intangibles – Goodwill and Other*," to account for goodwill. In accordance with these standards, goodwill has an indefinite life and is not amortized. However, goodwill is tested for impairment at least annually, or more frequently whenever an event or change in circumstances occurs that would more likely than not reduce the fair value of a reporting unit below its carrying amount. We test for impairment at the reporting unit level using three valuation approaches: first, the income approach which measures the value of an asset by the present value of its future economic benefit; second, the market approach which measures the value of an asset through the analysis of recent sales or offerings of comparable properties; and third, the cost approach which measures the value of an asset by the cost to reconstruct or replace it with another of like utility.

Estimation of future economic benefit requires management to make assumptions about numerous variables including selling prices, costs, the level of activity and appropriate discount rates. If it is determined that the fair value of a reporting unit is below its carrying amount, our goodwill will be impaired at that time.

Derivative Instruments

We follow the guidance of ASC 815, "*Derivatives and Hedging*," to account for derivative instruments. ASC 815 requires us to mark-to-market all derivative instruments on the balance sheet, and recognize changes in the fair value of non-hedge derivative instruments immediately in earnings. In certain cases, we may apply hedge accounting to our derivative instruments. The criteria used to determine if hedge accounting treatment is appropriate are: (i) the designation of the hedge to an underlying exposure; (ii) whether the overall risk is being reduced; and (iii) if there is a correlation between the fair value of the derivative instrument and the underlying hedged item. Changes in the fair value of derivative instruments accounted for as hedges are either recognized in earnings as an offset to the changes in the fair value of the related hedged item, or deferred and recorded as a component of other comprehensive income and subsequently recognized in earnings when the hedged transactions occur.

Certain derivative instruments that meet the criteria for derivative accounting treatment also qualify for a scope exception to derivative accounting, as they are considered to be a normal purchase normal sale ("NPNS"). The availability of this exception is based on the assumption that the company has the ability, and it is probable, to deliver or take delivery of the underlying item. These assumptions are based on internal forecasts of sales and historical physical delivery on contracts. Derivatives that are considered to be NPNS are exempt from derivative accounting treatment and are accounted for under accrual accounting. If it is determined that a transaction designated as NPNS no longer meets the scope exception due to changes in estimates, the related contract would be recorded on the balance sheet at fair value combined with immediate recognition through earnings.

Contingencies

We record a loss contingency when management determines that it is probable that a liability has been incurred and the amount of the loss can be reasonably estimated. Such determinations are subject to interpretations of current facts and circumstances, forecasts of future events and estimates of the financial impacts of such events. Gain contingencies are not recorded until realized.

Recent Accounting Pronouncements

See Note 3 of our consolidated financial statements beginning on page F-1 of this Form 10-K.

Item 7A. ***Quantitative and Qualitative Disclosures About Market Risk***

This discussion on market risks represents an estimate of possible changes in future earnings that would occur assuming hypothetical future movements in commodity prices, interest rates and currency exchange rates. Our views on market risk are not necessarily indicative of actual results that may occur, and do not represent the maximum possible gains and losses that may occur since actual gains and losses will differ from those estimated based on actual fluctuations in commodity prices, interest rates, currency exchange rates and the timing of transactions.

We are exposed to various market risks, including changes in (i) petroleum prices, particularly crude oil, natural gas and natural gas liquids, (ii) interest rates, and (iii) currency exchange rates. We may use from time-to-time various derivative instruments to manage such exposure. Our risk management policies and procedures are designed to monitor physical and financial commodity positions and the resulting outright commodity price risk as well as basis risk resulting from differences in commodity grades, purchase and sale locations and purchase and sale timing. We have a risk management function that has responsibility and authority for our Risk Governance Policies, which govern our enterprise-wide risks, including the market risks discussed in this item. Subject to our Risk Governance Policies, our finance and treasury function has responsibility and authority for managing exposure to interest rates and currency exchange rates. To manage the risks discussed above, we engage in price risk management activities.

Commodity Price Risk

The table below outlines the range of NYMEX prompt month daily settle prices for crude oil and natural gas futures, and the range of daily propane spot prices provided by an independent, third-party broker for the years ended December 31, 2017, 2016 and 2015.

	Light Sweet Crude Oil Futures ($ per Barrel)	Mont Belvieu (Non-LDH) Spot Propane ($ per Gallon)	Henry Hub Natural Gas Futures ($ per MMBtu)
Year Ended December 31, 2017			
High	$60.42	$1.01	$3.42
Low	$42.53	$0.57	$2.56
High/Low Differential	*$17.89*	*$0.44*	*$0.86*
Year Ended December 31, 2016			
High	$54.06	$0.71	$3.93
Low	$26.21	$0.29	$1.64
High/Low Differential	*$27.85*	*$0.42*	*$2.29*
Year Ended December 31, 2015			
High	$61.43	$0.64	$3.23
Low	$34.73	$0.31	$1.75
High/Low Differential	*$26.70*	*$0.33*	*$1.48*

Revenue from our asset-based activities is dependent on throughput volume, tariff rates, the level of fees generated from our pipeline systems, capacity leased to third parties, capacity that we use for our own operational or marketing activities and the level of other fees generated at our terminalling and storage facilities. Profit from our marketing activities is dependent on our ability to sell petroleum products at prices in excess of our aggregate cost. Margins may be affected during transitional periods between a backwardated market (when the prices for future deliveries are lower than the current prices) and a contango market (when the prices for future deliveries are higher than the current prices). Our petroleum product marketing activities within certain of our segments are generally not directly affected by the absolute level of petroleum product prices, but are affected by overall levels of supply and demand for petroleum products and relative fluctuations in market-related indices at various locations.

However, the SemGas segment has exposure to commodity price risk because of the nature of certain contracts for which our fee is based on a percentage of proceeds or index related to the prices of natural gas, natural gas liquids and condensate. Given current volumes, liquid recoveries and contract terms, we estimate the following sensitivities over the next twelve months:

- A 10% increase in the price of natural gas and natural gas liquids results in approximately a $3.0 million increase to gross margin.
- A 10% decrease in those prices would have the opposite effect.

The above sensitivities may be impacted by changes in contract mix, change in production or other factors which are outside of our control.

Additionally, based on our open derivative contracts at December 31, 2017, an increase in the applicable market price or prices for each derivative contract would result in a decrease in our crude oil sales revenues. Likewise, a decrease in the applicable market price or prices for each derivative contract would result in an increase in our crude oil sales revenues. However, the increases or decreases in crude oil sales revenues we recognize from our open derivative contracts are substantially offset by higher or lower crude oil sales revenues when the physical sale of the product occurs. These contracts may be for the purchase or sale of crude oil or in markets different from the physical markets in which we are attempting to hedge our exposure, or may have timing differences relative to the physical markets. As a result of these factors, our hedges may not eliminate all price risks.

The notional volumes and fair value of our commodity derivatives open positions at December 31, 2017, as well as the change in fair value that would be expected from a 10% market price increase or decrease, is shown in the table below (in thousands):

	Notional Volume (Barrels)	Fair Value	Effect of 10% Price Increase	Effect of 10% Price Decrease	Settlement Date
Crude Oil:					
Futures contracts	234	$ (1,368)	$ (1,414)	$ 1,414	January/February 2018

Margin deposits or other credit support, including letters of credit, are generally required on derivative instruments used to manage our price exposure. As commodity prices increase or decrease, the fair value of our derivative instruments changes, thereby increasing or decreasing our margin deposit or other credit support requirements. Although a component of our risk-management strategy is intended to manage the margin and other credit support requirements on our derivative instruments, volatile spot and forward commodity prices, or an expectation of increased commodity price volatility, could increase the cash needed to manage our commodity price exposure and thereby increase our liquidity requirements. This may limit amounts available to us through borrowing, decrease the volume of petroleum products we purchase and sell or limit our commodity price management activities.

Interest Rate Risk

We use variable rate debt and are exposed to market risk due to the floating interest rates on our credit facilities. Therefore, from time-to-time we may use interest rate derivatives to manage interest obligations on specific debt issuances. Our variable rate debt bears interest at LIBOR or prime, subject to certain floors, plus the applicable margin. At December 31, 2017, an increase in these base rates of 1%, above the base rate floors, would increase our interest expense by $6.8 million per year. Increases in interest expense due to an increase in interest rates as presented above, would have been partially offset by a $1.9 million reduction in interest expense from interest rate swaps, discussed below.

The average interest rates presented below are based upon rates in effect at December 31, 2017 and December 31, 2016. The carrying value of the variable rate instruments in our credit facilities approximate fair value primarily because our rates fluctuate with prevailing market rates.

The following table summarizes our debt obligations:

Liabilities	December 31, 2017	December 31, 2016
Long-term debt—variable rate	$ 948.1 million	$ 20.0 million
Average variable interest rate	4.32%	4.75%
Long-term debt—fixed rate	$ 1,375.0 million	$ 1,050.0 million
Average fixed interest rate	6.16%	6.16%

Debt obligations above exclude the Second Payment for which interest is being recorded based on an 8% annual rate. See Note 5 of the accompanying financial statements for additional information beginning on Page F-1 of this Form 10-K.

In conjunction with the HFOTCO acquisition, we acquired HFOTCO's interest rate swaps. The swaps allow us to limit exposure to interest rate fluctuations. The swaps only apply to a portion of our outstanding debt and provide only partial mitigation of interest rate fluctuations. We have not designated the swaps as hedges, as such changes in the fair value of the swaps are recorded through current period earnings as a component of interest expense. At December 31, 2017, we had interest rate swaps with notional values of $491.1 million. At December 31, 2017, the fair value of our interest rate swaps was $1.2 million which was reported within "other current liabilities" and “other liabilities” in our condensed consolidated balance sheet. For the year ended December 31, 2017, we recognized realized and unrealized gains of $1.1 million related to interest rate swaps. The interest rate swaps have maturities through August 2019.

Currency Exchange Risk

The cash flows relating to our U.K., Canada and Mexico operations are based on the U.S. dollar equivalent of such amounts measured in British pounds, Canadian dollars and Mexican pesos. Assets and liabilities of our U.K., Canadian and Mexican subsidiaries are translated to U.S. dollars using the applicable exchange rate as of the end of a reporting period. Revenue, expenses and cash flows are translated using the average exchange rate during the reporting period.

A 10% change in the average exchange rate during the years ended December 31, 2017 and 2016, would change operating income by $7.7 million and $6.0 million, respectively.

In the fourth quarter of 2017, we entered into foreign currency forwards to purchase Canadian dollars to limit exposure to foreign currency rate fluctuations for capital contributions to our Canadian operations. We have not designated the forwards as hedges, as such changes in the fair value of the forwards are recorded through current period earnings as a component of foreign currency translation gain/loss. At December 31, 2017, we had foreign currency forwards with notional values of $197.7 million. At December 31, 2017, the fair value of our foreign currency swaps was $2.6 million, which is reported within "other current assets" and "other assets" in our consolidated balance sheet. For the year ended December 31, 2017, we recognized unrealized gains of $2.8 million related to foreign currency forwards. The foreign currency forwards have maturities through June 2019.

A 1% increase in the USD/CAD foreign exchange rate would lead to a $4.6 million gain and in the event of a 1% decrease in the USD/CAD foreign exchange rate a $1.6 million loss based on the exchange rates at December 31, 2017.

Item 8. ***Financial Statements and Supplementary Data***

The consolidated financial statements of the Company required to be included in this Form 10-K appear immediately following the signature page to this Form 10-K beginning on page F-1.

Item 9. ***Changes in and Disagreements with Accountants on Accounting and Financial Disclosure***

None

Item 9A. ***Controls and Procedures***

Evaluation of Disclosure Controls and Procedures

Our Chief Executive Officer and Chief Financial Officer have concluded that the design and operation of our disclosure controls and procedures (as such term is defined in Rule 13a-15(e) under the Exchange Act) are effective as of December 31, 2017. This conclusion is based on an evaluation conducted under the supervision and participation of our Chief Executive Officer and Chief Financial Officer along with our management. Disclosure controls and procedures are those controls and procedures designed to ensure that information required to be disclosed in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we evaluated the effectiveness of our internal control over financial reporting based on the framework in the *Internal Control-Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Because of inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. Based on our evaluation under that framework and applicable SEC rules, our management concluded that our internal control over financial reporting was effective as of December 31, 2017.

Our internal control over financial reporting as of December 31, 2017, has been audited by Grant Thornton LLP, an independent registered public accounting firm, as stated in their report that is included herein.

We acquired HFOTCO LLC ("HFOTCO") on July 17, 2017. We excluded HFOTCO from the scope of management's assessment of the effectiveness of our internal control over financial reporting as of December 31, 2017. HFOTCO constituted less than 4% of our total revenues for 2017 and approximately 37% of our total assets as of December 31, 2017.

Changes in Internal Control over Financial Reporting

On July 17, 2017, we closed on the acquisition of HFOTCO. We are in the process of assessing and, to the extent necessary, making changes to the internal control over financial reporting at HFOTCO to conform such internal control to that used in our other segments. Based on the information presently available to management, we do not believe such changes will adversely impact our internal control over financial reporting. Subject to the foregoing, there were no changes in our internal control over financial reporting that occurred during the most recently completed fiscal quarter ended December 31, 2017, that have materially affected, or that are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. *Other Information*

None

PART III

Item 10. *Directors, Executive Officers and Corporate Governance*

The information required by this item concerning our directors and corporate governance matters is incorporated by reference to the information in the sections entitled “PROPOSAL 1 – ELECTION OF DIRECTORS” and “CORPORATE GOVERNANCE,” respectively, of our Proxy Statement for the 2018 Annual Meeting of Stockholders (the “Proxy Statement”). The information required by this item with respect to the Section 16 ownership reports is incorporated by reference to the section entitled “SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE” in the Proxy Statement. The information required by this item with respect to our executive officers is included in Part I of this Form 10-K under the section entitled “Executive Officers of the Registrant.” A copy of our Code of Business Conduct and Ethics is posted on our website at www.semgroupcorp.com.

Item 11. *Executive Compensation*

The information required by this item is incorporated by reference to the information set forth in the sections entitled “EXECUTIVE COMPENSATION” and “DIRECTOR COMPENSATION” of the Proxy Statement.

Item 12. *Security Ownership of Certain Beneficial Owners and Management and Related Stockholders Matters*

The information required by this item regarding security ownership and equity compensation plans is incorporated by reference to the information set forth in the sections entitled “PRINCIPAL STOCKHOLDERS AND SECURITY OWNERSHIP OF MANAGEMENT” and “EQUITY COMPENSATION PLAN INFORMATION,” respectively, of the Proxy Statement.

Item 13. *Certain Relationships and Related Transactions, and Director Independence*

The information required by this item regarding certain relationships and related transactions and director independence is incorporated by reference to the information set forth in the sections entitled “CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS” and “CORPORATE GOVERNANCE,” respectively, of the Proxy Statement.

Item 14. *Principal Accountant Fees and Services*

The information required by this item regarding principal accounting fees and services is incorporated by reference to the information set forth in the sections entitled “FEES OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM” and “AUDIT COMMITTEE PRE-APPROVAL POLICIES AND PROCEDURES” of the Proxy Statement.

PART IV

Item 15. *Exhibits and Financial Statement Schedules*

(a)(1) Financial Statements. The consolidated financial statements of the Company included in this Form 10-K are listed on page F-1, which follows the signature page to this Form 10-K.

(2) Financial Statement Schedules. All financial statement schedules are omitted as inapplicable or because the required information is contained in the financial statements or the notes thereto.

The financial statements of White Cliffs Pipeline, L.L.C., our equity method investee, are included in this filing as Exhibit 99.1 pursuant to Rule 3-09 of Regulation S-X.

(3) Exhibits. The following documents are included as exhibits to this Form 10-K. Those exhibits below incorporated by reference herein are indicated as such by the information supplied in the parenthetical thereafter. If no parenthetical appears after an exhibit, such exhibit is filed herewith.

Exhibit Number	Description
2.1	Purchase and Sale Agreement by and among SemGroup Corporation, Beachhead I LLC, Beachhead II LLC, Buffalo Investor I, LP and Buffalo Investor II, LP, dated as of June 5, 2017 (filed as Exhibit 2.1 to our current report on Form 8-K dated June 5, 2017, filed June 6, 2017).
2.2	Agreement and Plan of Merger dated as of May 30, 2016, by and among SemGroup Corporation, PBMS, LLC, Rose Rock Midstream, L.P. and Rose Rock Midstream GP, LLC (filed as Exhibit 2.1 to our current report on Form 8-K dated May 30, 2016, filed May 31, 2016).
3.1	Amended and Restated Certificate of Incorporation, dated as of November 30, 2009, as amended, of SemGroup Corporation (filed as Exhibit 3 to our quarterly report on Form 10-Q for the quarter ended June 30, 2017, filed August 7, 2017).
3.2	Amended and Restated Bylaws, dated as of November 3, 2017, of SemGroup Corporation (filed as Exhibit 3 to our quarterly report on Form 10-Q for the quarter ended September 30, 2017, filed November 9, 2017).
3.3	Certificate of Designations of Series A Cumulative Perpetual Convertible Preferred Stock of SemGroup Corporation, filed with the Secretary of State of the State of Delaware on January 19, 2018 (including form of stock certificate for our Series A Cumulative Perpetual Convertible Preferred Stock attached as Exhibit A thereto) (filed as Exhibit 3.1 to our current report on Form 8-K dated January 16, 2018, filed January 19, 2018).
4.1	Form of stock certificate for our Class A Common Stock, par value $0.01 per share (filed as Exhibit 4.1 to our registration statement on Form 10, File No. 001-34736 (the “Form 10”)).
4.2	Form of stock certificate for our Class B Common Stock, par value $0.01 per share (filed as Exhibit 4.2 to the Form 10).
4.3	Indenture (and form of 5.625% Senior Note due 2022 attached as Exhibit A thereto), dated as of July 2, 2014, by and among Rose Rock Midstream, L.P., Rose Rock Finance Corporation, the Guarantors party thereto and Wilmington Trust, National Association, as trustee (filed as Exhibit 4.1 to Rose Rock Midstream, L.P.'s current report on Form 8-K dated June 27, 2014, filed July 2, 2014).
4.4	Indenture (and form of 5.625% Senior Note due 2023 attached as Exhibit A thereto), dated as of May 14, 2015, by and among Rose Rock Midstream, L.P., Rose Rock Finance Corporation, the Guarantors party thereto and Wilmington Trust, National Association, as trustee (filed as Exhibit 4.1 to Rose Rock Midstream, L.P.'s current report on Form 8-K dated May 14, 2015, filed May 18, 2015).
4.5	Second Supplemental Indenture dated as of September 30, 2016, by and among SemGroup Corporation, the subsidiaries of SemGroup Corporation named therein as "Guarantors," the subsidiaries of SemGroup Corporation named therein as "Guaranteeing Subsidiaries" and Wilmington Trust, National Association, as trustee (filed as Exhibit 4.2 to our current report on Form 8-K dated September 30, 2016, filed September 30, 2016).
4.6	First Supplemental Indenture dated as of September 30, 2016, by and among SemGroup Corporation, the subsidiaries of SemGroup Corporation named therein as "Guarantors," the subsidiaries of SemGroup Corporation named therein as "Guaranteeing Subsidiaries" and Wilmington Trust, National Association, as trustee (filed as Exhibit 4.3 to our current report on Form 8-K dated September 30, 2016, filed September 30, 2016).

Exhibit Number	Description
4.7	Indenture (and form of 6.375% Senior Note due 2025 attached as Exhibit A thereto), dated as of March 15, 2017, by and among SemGroup Corporation, certain of its wholly-owned subsidiaries, as guarantors, and Wilmington Trust, National Association, as trustee (filed as Exhibit 4.1 to our current report on Form 8-K dated March 15, 2017, filed March 21, 2017).
4.8	Registration Rights Agreement, dated as of March 15, 2017, by and among SemGroup Corporation, certain of its wholly owned subsidiaries and Credit Suisse Securities (USA) LLC, as representative of the Initial Purchasers (as defined therein) (filed as Exhibit 4.2 to our current report on Form 8-K dated March 15, 2017, filed March 21, 2017).
4.9	Indenture (and form of 7.25% Senior Note due 2026 attached as Exhibit A thereto), dated as of September 20, 2017, by and among SemGroup Corporation, certain of its wholly owned subsidiaries, as guarantors, and Wilmington Trust, National Association, as trustee (filed as Exhibit 4.1 to our current report on Form 8-K dated September 20, 2017, filed September 21, 2017).
4.10	Registration Rights Agreement, dated as of September 20, 2017, by and among SemGroup Corporation, certain of its wholly owned subsidiaries and Credit Suisse Securities (USA) LLC, as representative of the Initial Purchasers (as defined therein) (filed as Exhibit 4.2 to our current report on Form 8-K dated September 20, 2017, filed September 21, 2017).
4.11	Amended and Restated Bond Indenture, dated as of August 19, 2014, between Harris County Industrial Development Corporation and The Bank of New York Mellon Trust Company, National Association, as trustee, relating to $75 million Series 2010 Marine Terminal Revenue Bonds (filed as Exhibit 4.1 to our current report on Form 8-K dated July 17, 2017, filed July 17, 2017).
4.12	Amended and Restated Bond Indenture, dated as of August 19, 2014, between Harris County Industrial Development Corporation and The Bank of New York Mellon Trust Company, National Association, as trustee, relating to $50 million Series 2011 Marine Terminal Revenue Bonds (filed as Exhibit 4.2 to our current report on Form 8-K dated July 17, 2017, filed July 17, 2017).
4.13	Amended and Restated Bond Indenture, dated as of August 19, 2014, between Harris County Industrial Development Corporation and The Bank of New York Mellon Trust Company, National Association, as trustee, relating to $100 million Series 2012 Marine Terminal Revenue Bonds (filed as Exhibit 4.3 to our current report on Form 8-K dated July 17, 2017, filed July 17, 2017).
4.14	Continuing Covenant Agreement, dated as of August 19, 2014, between HFOTCO LLC, as obligor, Buffalo Gulf Coast Terminals LLC, as the parent, Bank of America, N.A., as administrative agent and collateral agent, and the bondholders party thereto (filed as Exhibit 4.4 to our current report on Form 8-K dated July 17, 2017, filed July 17, 2017).
4.15	Consent and Amendment to Continuing Covenant Agreement, dated as of June 5, 2017, between HFOTCO LLC, as obligor, Buffalo Gulf Coast Terminals LLC, as the parent, Bank of America, N.A., as administrative agent and collateral agent, and the bondholders party thereto (filed as Exhibit 4.5 to our current report on Form 8-K dated July 17, 2017, filed July 17, 2017).
4.16	Loan Agreement, dated as of November 1, 2010, by and between HFOTCO LLC and Harris County Industrial Development Corporation, relating to $75 million Series 2010 Marine Terminal Revenue Bonds (filed as Exhibit 4.6 to our current report on Form 8-K dated July 17, 2017, filed July 17, 2017).
4.17	Loan Agreement, dated as of December 1, 2011, by and between HFOTCO LLC and Harris County Industrial Development Corporation, relating to $50 million Series 2011 Marine Terminal Revenue Bonds (filed as Exhibit 4.7 to our current report on Form 8-K dated July 17, 2017, filed July 17, 2017).
4.18	Loan Agreement, dated as of October 1, 2012, by and between HFOTCO LLC and Harris County Industrial Development Corporation, relating to $100 million Series 2012 Marine Terminal Revenue Bonds (filed as Exhibit 4.8 to our current report on Form 8-K dated July 17, 2017, filed July 17, 2017).
4.19	First Amendment to Loan Agreement, dated as of August 19, 2014, by and between HFOTCO LLC and Harris County Industrial Development Corporation, relating to $75 million Series 2010 Marine Terminal Revenue Bonds (filed as Exhibit 4.9 to our current report on Form 8-K dated July 17, 2017, filed July 17, 2017).
4.20	First Amendment to Loan Agreement, dated as of August 19, 2014, by and between HFOTCO LLC and Harris County Industrial Development Corporation, relating to $50 million Series 2011 Marine Terminal Revenue Bonds (filed as Exhibit 4.10 to our current report on Form 8-K dated July 17, 2017, filed July 17, 2017).

Exhibit Number	Description
4.21	First Amendment to Loan Agreement, dated as of August 19, 2014, by and between HFOTCO LLC and Harris County Industrial Development Corporation, relating to $100 million Series 2012 Marine Terminal Revenue Bonds (filed as Exhibit 4.11 to our current report on Form 8-K dated July 17, 2017, filed July 17, 2017).
4.22	Registration Rights Agreement by and among SemGroup Corporation, Buffalo Investor I, LP and Buffalo Investor II, LP dated as of July 17, 2017 (filed as Exhibit 10.1 to our current report on Form 8-K dated July 17, 2017, filed July 17, 2017).
10.1	Amended and Restated Credit Agreement, dated as of September 30, 2016, by and among SemGroup Corporation, as borrower, the guarantors named therein, the lenders named therein, and Wells Fargo Bank, National Association, as administrative agent (filed as Exhibit 10.1 to our current report on Form 8-K dated September 30, 2016, filed September 30, 2016).
10.2	First Amendment to Amended and Restated Credit Agreement, dated as of April 4, 2017, to the Amended and Restated Credit Agreement, dated as of September 30, 2016, entered into by and among others, SemGroup Corporation, as borrower, the lenders party thereto, and Wells Fargo Bank, National Association, as administrative agent (filed as Exhibit 10.2 to our quarterly report on Form 10-Q for the quarter ended March 31, 2017, filed May 5, 2017).
10.3	Second Amendment to Amended and Restated Credit Agreement, dated as of February 20, 2018, by and among SemGroup Corporation, as borrower, the guarantors named therein, the lenders named therein, and Wells Fargo Bank, National Association, as administrative agent.
10.4	Credit Agreement, dated as of August 19, 2014, among Buffalo Gulf Coast Terminals LLC, as the parent, HFOTCO LLC, as the borrower, Morgan Stanley Senior Funding, Inc. as administrative agent, Bank of America, N.A., as collateral agent, and the lenders party thereto (filed as Exhibit 10.2 to our current report on Form 8-K dated July 17, 2017, filed July 17, 2017).
10.5	Consent and Amendment No. 1 to Credit Agreement, dated as of June 14, 2017, among Buffalo Gulf Coast Terminals LLC, as the parent, HFOTCO LLC, as the borrower, Morgan Stanley Senior Funding, Inc. as administrative agent, Bank of America, N.A., as collateral agent, and the lenders party thereto (filed as Exhibit 10.3 to our current report on Form 8-K dated July 17, 2017, filed July 17, 2017).
10.6	Guarantee, Pledge and Security Agreement, dated as of July 17, 2017, by and among Buffalo Investor I, L.P., Buffalo Investor II, L.P., Beachhead Holdings LLC, Beachhead I LLC, Beachhead II, LLC and Buffalo Parent Gulf Coast Terminals, LLC (filed as Exhibit 10.3 to our quarterly report on Form 10-Q for the quarter ended September 30, 2017, filed November 9, 2017).
10.7	Equity Distribution Agreement, dated November 8, 2016, by and among SemGroup Corporation, Wells Fargo Securities, LLC, Citigroup Global Markets Inc., and SunTrust Robinson Humphrey, Inc. (filed as Exhibit 1.1 to our current report on Form 8-K dated November 8, 2016, filed November 8, 2016).
10.8	Securities Purchase Agreement, dated as of January 16, 2018, by and among SemGroup Corporation, WP SemGroup Holdings, L.P., Atlas Point Energy Infrastructure Fund, LLC and several affiliates of Tortoise Capital Advisors, L.L.C. (filed as Exhibit 10.1 to our current report on Form 8-K dated January 16, 2018, filed January 19, 2018).
10.9*	SemGroup Corporation Board of Directors Compensation Plan, effective June 1, 2016 (filed as Exhibit 10.1 to our quarterly report on Form 10-Q for the quarter ended June 30, 2016, filed August 5, 2016).
10.10*	SemGroup Corporation Nonexecutive Directors' Compensation Deferral Program (filed as Exhibit 10.7 to the Form 10).
10.11*	SemGroup Corporation Equity Incentive Plan, as amended and restated (filed as Annex A to our definitive proxy statement, filed April 13, 2016).
10.12*	SemGroup Corporation Equity Incentive Plan Form of Restricted Stock Award Agreement for Directors for awards granted on or after May 22, 2012 (filed as Exhibit 10.31 to our Amendment No. 1 to our annual report on Form 10-K for the fiscal year ended December 31, 2012, filed March 1, 2013).
10.13*	SemGroup Corporation Equity Incentive Plan Form of Restricted Stock Award Agreement for executive officers and employees in the United States for awards granted on or after March 1, 2013 (filed as Exhibit 10.33 to our annual report on Form 10-K for the fiscal year ended December 31, 2012, filed March 1, 2013).

Exhibit Number	Description
10.14*	SemGroup Corporation Equity Incentive Plan Form of 2013-2015 Performance Share Unit Award Agreement for executive officers (filed as Exhibit 10.34 to our annual report on Form 10-K for the fiscal year ended December 31, 2012, filed March 1, 2013).
10.15*	SemGroup Corporation Equity Incentive Plan Form of 2016 Performance Share Unit Award Agreement for executive officers and employees in the United States (filed as Exhibit 10.16 to our annual report on Form 10-K for the fiscal year ended December 31, 2015, filed February 26, 2016).
10.16*	SemGroup Corporation Equity Incentive Plan Form of Restricted Stock Award Agreement for executive officers and employees in the United States for awards granted pursuant to that certain Agreement and Plan of Merger, dated May 30, 2016, by and among SemGroup Corporation, PBMS, LLC, Rose Rock Midstream, L.P. and Rose Rock Midstream GP, LLC (filed as Exhibit 10.2 to our current report on Form 8-K dated September 30, 2016, filed September 30, 2016).
10.17*	SemGroup Corporation Equity Incentive Plan Form of 2017 Performance Share Unit Award Agreement for executive officers and employees in the United States (filed as Exhibit 10.12 to our annual report on Form 10-K for the fiscal year ended December 31, 2016, filed February 24, 2017).
10.18*	Employment Agreement dated as of March 6, 2014, by and among SemManagement, L.L.C., SemGroup Corporation, Rose Rock Midstream GP, LLC and Carlin G. Conner (filed as Exhibit 10.2 to our current report on Form 8-K dated March 6, 2014, filed March 12, 2014).
10.19*	Form of Severance Agreement between SemGroup Corporation and each of its executive officers other than Carlin G. Conner.
10.20*	Agreement, Waiver, and Release, dated as of August 2, 2017, by and among SemManagement L.L.C., and Candice L. Cheeseman (filed as Exhibit 10.4 to our quarterly report on Form 10-Q for the quarter ended September 30, 2017, filed November 9, 2017).
10.21*	SemGroup Corporation Short-Term Incentive Program (filed as Exhibit 10.1 to our current report on Form 8-K dated February 24, 2011, filed March 2, 2011).
10.22*	SemGroup Employee Stock Purchase Plan (filed as Appendix A to our definitive proxy statement, filed April 19, 2013).
21	Subsidiaries of SemGroup Corporation.
23.1	Consent of Independent Registered Public Accounting Firm - Grant Thornton LLP
23.2	Consent of Independent Registered Public Accounting Firm - Grant Thornton LLP
23.3	Consent of Independent Registered Public Accounting Firm - BDO USA, LLP.
23.4	Consent of Independent Auditors - BDO USA, LLP.
31.1	Rule 13a – 14(a)/15d – 14(a) Certification of Carlin G. Conner, Chief Executive Officer.
31.2	Rule 13a – 14(a)/15d – 14(a) Certification of Robert N. Fitzgerald, Chief Financial Officer.
32.1	Section 1350 Certification of Carlin G. Conner, Chief Executive Officer.
32.2	Section 1350 Certification of Robert N. Fitzgerald, Chief Financial Officer.
99.1	White Cliffs Pipeline, L.L.C. financial statements presented pursuant to Rule 3-09 of Regulation S-X.
101	Interactive data files pursuant to Rule 405 of Regulation S-T: (i) the Consolidated Balance Sheets at December 31, 2017 and 2016, (ii) the Consolidated Statements of Operations and Comprehensive Income (Loss) for the years ended December 31, 2017, 2016 and 2015, (iii) the Consolidated Statements of Changes in Owners' Equity for the years ended December 31, 2017, 2016 and 2015, (iv) the Consolidated Statements of Cash Flows for the years ended December 31, 2017, 2016 and 2015, and (v) the Notes to Consolidated Financial Statements.

* Management contract or compensatory plan or arrangement

Item 16. ***Form 10-K Summary***

None

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

SEMGROUP CORPORATION

February 26, 2018

By: /s/ Robert N. Fitzgerald
Robert N. Fitzgerald
Senior Vice President and
Chief Financial Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the date indicated.

Signature	Title	Date
/s/ Carlin G. Conner Carlin G. Conner	President, Chief Executive Officer and Director (Principal Executive Officer)	February 26, 2018
/s/ Robert N. Fitzgerald Robert N. Fitzgerald	Senior Vice President and Chief Financial Officer (Principal Financial Officer)	February 26, 2018
/s/ Thomas D. Sell Thomas D. Sell	Vice President, Chief Accounting Officer and Controller (Principal Accounting Officer)	February 26, 2018
/s/ Thomas R. McDaniel Thomas R. McDaniel	Chairman of the Board and Director	February 26, 2018
/s/ Ronald A. Ballschmiede Ronald A. Ballschmiede	Director	February 26, 2018
/s/ Sarah M. Barpoulis Sarah M. Barpoulis	Director	February 26, 2018
/s/ Karl F. Kurz Karl F. Kurz	Director	February 26, 2018
/s/ James H. Lytal James H. Lytal	Director	February 26, 2018
/s/ William J. McAdam William J. McAdam	Director	February 26, 2018

Index to Financial Statements

Report of Independent Registered Public Accounting Firm

Board of Directors and Shareholders
SemGroup Corporation

Opinion on the financial statements
We have audited the accompanying consolidated balance sheet of SemGroup Corporation (a Delaware corporation) and subsidiaries (the “Company”) as of December 31, 2017, the related consolidated statements of operations and comprehensive income (loss), changes in owner’ equity, and cash flows for the year ended December 31, 2017, and the related notes (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2017, and the results of its operations and its cash flows for the year ended December 31, 2017, in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (“PCAOB”), the Company’s internal control over financial reporting as of December 31, 2017, based on criteria established in the 2013 *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”), and our report dated February 26, 2018 expressed an unqualified opinion.

Basis for opinion
These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ GRANT THORNTON LLP

We have served as the Company’s auditor since 2017.

Tulsa, Oklahoma
February 26, 2018

Report of Independent Registered Public Accounting Firm

Board of Directors and Stockholders
SemGroup Corporation
Tulsa, Oklahoma

We have audited the accompanying consolidated balance sheet of SemGroup Corporation (the "Company") as of December 31, 2016, and the related consolidated statements of operations and comprehensive income (loss), changes in owners' equity, and cash flows for each of the two years in the period ended December 31, 2016. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of SemGroup Corporation at December 31, 2016, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2016, in conformity with accounting principles generally accepted in the United States of America.

/s/ BDO USA, LLP
Dallas, Texas
February 24, 2017

Report of Independent Registered Public Accounting Firm

Board of Directors and Shareholders
SemGroup Corporation

Opinion on internal control over financial reporting
We have audited the internal control over financial reporting of SemGroup Corporation (a Delaware corporation) and subsidiaries (the "Company") as of December 31, 2017, based on criteria established in the 2013 *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2017, based on criteria established in the 2013 *Internal Control-Integrated Framework* issued by COSO.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the consolidated financial statements of the Company as of and for the year ended December 31, 2017, and our report dated February 26, 2018 expressed an unqualified opinion on those financial statements.

Basis for opinion
The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Our audit of, and opinion on, the Company's internal control over financial reporting does not include the internal control over financial reporting of HFOTCO LLC, a wholly-owned subsidiary, whose financial statements reflect total assets and revenues constituting 37 and 4 percent, respectively, of the related consolidated financial statement amounts as of and for the year ended December 31, 2017. As indicated in the accompanying Management's Report on Internal Control over Financial Reporting ("Management's Report"), HFOTCO LLC was acquired during 2017. Management's assertion on the effectiveness of the Company's internal control over financial reporting excluded internal control over financial reporting of HFOTCO LLC.

Definition and limitations of internal control over financial reporting
A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ GRANT THORNTON LLP

Tulsa, Oklahoma
February 26, 2018

SEMGROUP CORPORATION
Consolidated Balance Sheets
(In thousands, except par value)

	December 31,	
	2017	2016
ASSETS		
Current assets:		
Cash and cash equivalents	$ 93,699	$ 74,216
Accounts receivable (net of allowance of $2,628 and $2,322, respectively)	653,484	418,339
Receivable from affiliates	1,691	25,455
Inventories	101,665	99,234
Current assets held for sale	38,063	—
Other current assets	14,297	18,630
Total current assets	902,899	635,874
Property, plant and equipment (net of accumulated depreciation of $444,842 and $393,635, respectively)	3,315,131	1,762,072
Equity method investments	285,281	434,289
Goodwill	257,302	34,230
Other intangible assets (net of accumulated amortization of $56,409 and $39,018, respectively)	398,643	150,978
Other noncurrent assets, net	132,600	57,529
Noncurrent assets held for sale	84,961	—
Total assets	$ 5,376,817	$ 3,074,972
LIABILITIES AND OWNERS' EQUITY		
Current liabilities:		
Accounts payable	$ 587,898	$ 367,307
Payable to affiliates	6,971	26,508
Accrued liabilities	131,407	81,104
Deferred revenue	7,518	10,571
Current liabilities held for sale	23,847	—
Other current liabilities	3,395	2,839
Current portion of long-term debt	5,525	26
Total current liabilities	766,561	488,355
Long-term debt	2,853,095	1,050,918
Deferred income taxes	46,585	64,501
Other noncurrent liabilities	38,495	25,233
Noncurrent liabilities held for sale	13,716	—
Commitments and contingencies (Note 15)		
SemGroup Corporation owners' equity:		
Preferred stock, $0.01 par value (authorized - 4,000 shares; issued - none)	—	—
Common stock, $0.01 par value (authorized - 100,000 shares; issued - 79,708 and 67,079 shares, respectively)	786	659
Additional paid-in capital	1,770,117	1,561,695
Treasury stock, at cost (1,024 and 980 shares, respectively)	(8,031)	(6,558)
Accumulated deficit	(50,706)	(35,917)
Accumulated other comprehensive loss	(53,801)	(73,914)
Total owners' equity	1,658,365	1,445,965
Total liabilities and owners' equity	$ 5,376,817	$ 3,074,972

The accompanying notes are an integral part of these consolidated financial statements.

SEMGROUP CORPORATION
Consolidated Statements of Operations and Comprehensive Income (Loss)
(Dollars in thousands, except per share amounts)

	Year Ended December 31,		
	2017	2016	2015
Revenues:			
Product	$ 1,621,918	$ 1,009,409	$ 1,118,886
Service	391,266	265,030	259,542
Lease	5,843	—	—
Other	62,890	57,725	76,666
Total revenues	2,081,917	1,332,164	1,455,094
Expenses:			
Costs of products sold, exclusive of depreciation and amortization shown below	1,514,891	873,431	979,549
Operating	254,764	212,099	224,443
General and administrative	110,373	83,908	97,366
Depreciation and amortization	158,421	98,804	100,882
Loss on disposal or impairment, net (Note 4)	13,333	16,048	11,472
Total expenses	2,051,782	1,284,290	1,413,712
Earnings from equity method investments	67,331	73,757	81,386
Gain (loss) on issuance of common units by equity method investee	—	(41)	6,385
Operating income	97,466	121,590	129,153
Other expenses (income):			
Interest expense	103,009	62,650	69,675
Loss on early extinguishment of debt	19,930	—	—
Foreign currency transaction loss (gain)	(4,709)	4,759	(1,067)
Loss (gain) on sale or impairment of non-operated equity method investment	—	30,644	(14,517)
Other income, net	(1,226)	(994)	(1,284)
Total other expenses, net	117,004	97,059	52,807
Income (loss) from continuing operations before income taxes	(19,538)	24,531	76,346
Income tax expense (benefit)	(2,388)	11,268	33,530
Income (loss) from continuing operations	(17,150)	13,263	42,816
Loss from discontinued operations, net of income taxes	—	(1)	(4)
Net income (loss)	(17,150)	13,262	42,812
Less: net income attributable to noncontrolling interests	—	11,167	12,492
Net income (loss) attributable to SemGroup	$ (17,150)	$ 2,095	$ 30,320
Net income (loss)	$ (17,150)	$ 13,262	$ 42,812
Other comprehensive income (loss), net of income taxes			
Currency translation adjustments, net of income taxes	20,411	(14,224)	(32,142)
Other, net of income taxes	(298)	(1,128)	721
Total other comprehensive income (loss)	20,113	(15,352)	(31,421)
Comprehensive income (loss)	2,963	(2,090)	11,391
Less: comprehensive income attributable to noncontrolling interests	—	11,167	12,492
Comprehensive income (loss) attributable to SemGroup	$ 2,963	$ (13,257)	$ (1,101)
Net income (loss) attributable to SemGroup per common share (Note 17):			
Basic	$ (0.24)	$ 0.04	$ 0.69
Diluted	$ (0.24)	$ 0.04	$ 0.69

The accompanying notes are an integral part of these consolidated financial statements.

SEMGROUP CORPORATION
Consolidated Statements of Changes in Owners' Equity
(Dollars in thousands)

	Common Stock	Additional Paid-in Capital	Treasury Stock	Accumulated Deficit	Accumulated Other Comprehensive Loss	Noncontrolling Interests	Total Owners' Equity
Balance at December 31, 2014	**$ 436**	**$ 1,245,877**	**$ (1,332)**	**$ (68,332)**	**$ (27,141)**	**$ 69,929**	**$ 1,219,437**
Net income	—	—	—	30,320	—	12,492	42,812
Other comprehensive loss, net of income taxes	—	—	—	—	(31,421)	—	(31,421)
Distributions to noncontrolling interests	—	—	—	—	—	(40,410)	(40,410)
Dividends paid	—	(69,514)	—	—	—	—	(69,514)
Unvested dividend equivalent rights	—	(351)	—	—	—	(203)	(554)
Non-cash equity compensation	—	9,051	—	—	—	1,354	10,405
Issuance of common stock under compensation plans	3	1,512	—	—	—	—	1,515
Repurchase of common stock	—	—	(4,261)	—	—	—	(4,261)
Rose Rock equity issuance	—	—	—	—	—	89,119	89,119
Transfer of WOT and Glass Mountain to Rose Rock	—	30,680	—	—	—	(51,452)	(20,772)
Balance at December 31, 2015	**439**	**1,217,255**	**(5,593)**	**(38,012)**	**(58,562)**	**80,829**	**1,196,356**
Net income	—	—	—	2,095	—	11,167	13,262
Other comprehensive loss, net of income taxes	—	—	—	—	(15,352)	—	(15,352)
Issuance of common stock	86	228,460	—	—	—	—	228,546
Acquisition of Rose Rock's noncontrolling interest	133	198,381	—	—	—	(61,122)	137,392
Distributions to noncontrolling interests	—	—	—	—	—	(32,133)	(32,133)
Dividends paid	—	(92,910)	—	—	—	—	(92,910)
Unvested dividend equivalent rights	—	521	—	—	—	66	587
Non-cash equity compensation	—	8,752	—	—	—	1,193	9,945
Issuance of common stock under compensation plans	1	1,236	—	—	—	—	1,237
Repurchase of common stock	—	—	(965)	—	—	—	(965)
Balance at December 31, 2016	**659**	**1,561,695**	**(6,558)**	**(35,917)**	**(73,914)**	**—**	**1,445,965**
Adoption of ASU 2016-09 and other	—	(2,073)	—	2,361	—	—	288
Net loss	—	—	—	(17,150)	—	—	(17,150)
Other comprehensive income, net of income taxes	—	—	—	—	20,113	—	20,113
Dividends paid	—	(129,925)	—	—	—	—	(129,925)
Unvested dividend equivalent rights	—	(1,033)	—	—	—	—	(1,033)
Non-cash equity compensation	—	10,066	—	—	—	—	10,066
Issuance of common stock	124	330,217	—	—	—	—	330,341
Issuance of common stock under compensation plans	3	1,170	—	—	—	—	1,173
Repurchase of common stock	—	—	(1,473)	—	—	—	(1,473)
Balance at December 31, 2017	**$ 786**	**$ 1,770,117**	**$ (8,031)**	**$ (50,706)**	**$ (53,801)**	**$ —**	**$ 1,658,365**

The accompanying notes are an integral part of these consolidated financial statements.

SEMGROUP CORPORATION
Consolidated Statements of Cash Flows
(Dollars in thousands)

	Year Ended December 31,		
	2017	2016	2015
Cash flows from operating activities:			
Net income (loss)	$ (17,150)	$ 13,262	$ 42,812
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization	158,421	98,804	100,882
Loss on disposal or impairment, net	13,333	16,048	11,472
Earnings from equity method investments	(67,331)	(73,757)	(81,386)
Loss (gain) on issuance of common units by equity method investee	—	41	(6,385)
Loss (gain) on sale or impairment of non-operated equity method investee	—	30,644	(14,517)
Distributions from equity method investments	66,748	76,442	95,429
Amortization of debt issuance costs	6,221	7,561	5,102
Loss on early extinguishment of debt	19,930	—	—
Deferred tax expense (benefit)	(9,829)	8,447	29,197
Non-cash equity compensation	10,253	10,216	10,617
Provision for uncollectible accounts receivable, net of recoveries	165	(527)	208
Gain on pension curtailment	(3,008)	—	—
Inventory valuation adjustment	455	—	2,590
Currency (gain) loss	(4,709)	4,759	(1,067)
Changes in operating assets and liabilities (Note 21)	(33,023)	(21,966)	(13,192)
Net cash provided by operating activities	140,476	169,974	181,762
Cash flows from investing activities:			
Capital expenditures	(462,713)	(312,456)	(479,530)
Proceeds from sale of equity method investment and other long-lived assets	314,821	151	3,688
Contributions to equity method investments	(26,444)	(4,188)	(46,730)
Payments to acquire business, net of cash acquired	(294,239)	—	—
Proceeds from sale of common units of equity method investee	—	60,483	56,318
Distributions from equity method investments in excess of equity in earnings	28,774	27,726	24,113
Net cash used in investing activities	(439,801)	(228,284)	(442,141)
Cash flows from financing activities:			
Debt issuance costs	(11,116)	(7,728)	(6,289)
Borrowings on credit facilities and issuance of senior unsecured notes	1,525,377	382,500	867,208
Principal payments on credit facilities and other obligations	(1,052,428)	(396,890)	(560,049)
Debt extinguishment costs	(16,293)	—	—
Distributions to noncontrolling interests	—	(32,133)	(40,410)
Repurchase of common stock for payment of statutory taxes due on equity-based compensation	(1,473)	(965)	(4,261)
Dividends paid	(129,925)	(92,910)	(69,514)
Proceeds from issuance of common stock under employee stock purchase plan	1,114	1,010	1,223
Proceeds from issuance of common shares, net of offering costs	—	223,025	—
Rose Rock equity issuance	—	—	89,119
Net cash provided by financing activities	315,256	75,909	277,027
Effect of exchange rate changes on cash and cash equivalents	3,552	(1,479)	850
Change in cash and cash equivalents	19,483	16,120	17,498
Cash and cash equivalents at beginning of period	74,216	58,096	40,598
Cash and cash equivalents at end of period	$ 93,699	$ 74,216	$ 58,096

The accompanying notes are an integral part of these consolidated financial statements.

SEMGROUP CORPORATION
Notes to Consolidated Financial Statements

1. OVERVIEW

SemGroup Corporation is a Delaware corporation headquartered in Tulsa, Oklahoma that provides diversified services for end-users and consumers of crude oil, natural gas, natural gas liquids, refined products and asphalt.

The accompanying consolidated financial statements include the activities of SemGroup Corporation and its subsidiaries. The terms “we,” “our,” “us,” “the Company” and similar language used in these notes to consolidated financial statements refer to SemGroup Corporation and its subsidiaries.

At December 31, 2017, our reportable segments include the following:

- Crude Transportation, which operates crude oil pipelines and truck transportation businesses in the United States. Crude Transportation’s assets include:
  - a crude oil gathering and transportation pipeline system in Kansas and northern Oklahoma that is connected to several third-party pipelines and refineries;
  - the Wattenberg Oil Trunkline ("WOT"), a crude oil gathering pipeline system that transports crude oil from production facilities in the DJ Basin to the pipeline owned by White Cliffs Pipeline, L.L.C. ("White Cliffs");
  - a crude oil trucking fleet of over 215 transport trucks and 210 trailers;
  - Maurepas Pipeline, consisting of three pipelines, with an approximate total of 106 miles, that service refineries in the Gulf Coast region (the “Maurepas Pipeline”); and
  - a 51% ownership interest in White Cliffs, which owns crude oil pipelines that transport crude oil from Platteville, Colorado to Cushing, Oklahoma (the "White Cliffs Pipeline").
- Crude Facilities, which operates crude oil storage and terminal businesses in Cushing, Oklahoma and a crude oil truck unloading facility in Platteville, Colorado that connects to the origination point of the White Cliffs Pipeline.
- Crude Supply and Logistics, which operates a crude oil marketing business utilizing our Crude Transportation and Crude Facilities assets for marketing purposes.
- HFOTCO, acquired in July 2017, which operates a large terminal facility located on the U.S. Gulf Coast. HFOTCO’s assets include:
  - approximately 16.8 million barrels of product storage with crude pipeline connectivity to the local refining complex, deep water marine access and inbound crude receipt pipeline connectivity, as well as rail and truck loading and unloading capabilities; and
  - 330 acres on the Houston Ship Channel.
- SemGas, which provides natural gas gathering and processing services in the United States. SemGas operates gathering pipelines in Oklahoma and Texas and processing plants in northern Oklahoma and Texas.
- SemCAMS, which provides natural gas gathering and processing services in Alberta, Canada. SemCAMS owns working interests in, and operates, a network of natural gas gathering and transportation pipelines and natural gas processing plants.

Additionally, we own an 11.78% interest in the general partner of NGL Energy Partners LP ("NGL Energy") (NYSE: NGL), certain refined products and crude oil storage assets in the United Kingdom ("U.K.") and certain liquid asphalt terminalling and modification facilities in Mexico, all of which are reported within Corporate and Other. See Note 6 for discussion of the disposal of Glass Mountain Pipeline ("Glass Mountain") on December 22, 2017. See Note 4 for discussion of held for sale status of the U.K. business and Mexican asphalt business.

2. CONSOLIDATION AND BASIS OF PRESENTATION

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States.

Consolidated subsidiaries

Our consolidated financial statements include the accounts of our controlled subsidiaries. All significant transactions between our consolidated subsidiaries have been eliminated.

2. CONSOLIDATION AND BASIS OF PRESENTATION, Continued

Proportionally consolidated assets

Our SemCAMS segment owns undivided interests in certain natural gas gathering and processing assets, for which we record only our proportionate share of the assets on the consolidated balance sheets. The net book value of the property, plant and equipment recorded by us associated with these undivided interests is approximately $416.1 million at December 31, 2017. We serve as operator of these facilities and incur the costs of operating the facilities (recorded as operating expenses in the consolidated statements of operations) and charge the other owners, which are also customers, for their proportionate share of the costs (recorded as other revenue in the consolidated statements of operations).

Equity method investments

We own a 51% interest in White Cliffs, which we account for under the equity method as the other owners have substantive rights to participate in its management.

We own an 11.78% interest in the general partner of NGL Energy which we account for under the equity method.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

USE OF ESTIMATES—The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts and disclosures in the financial statements. Our significant estimates include, but are not limited to: (1) allowances for doubtful accounts receivable; (2) estimated useful lives of assets, which impact depreciation and amortization; (3) estimated fair values used in impairment tests; (4) fair values of derivative instruments; (5) valuation allowances for deferred tax assets; and (6) accrual and disclosure of contingent losses. Although management believes these estimates are reasonable, actual results could differ materially from these estimates.

CASH AND CASH EQUIVALENTS—Cash includes currency on hand and demand and time deposits with banks or other financial institutions. Cash equivalents include highly liquid investments with maturities of three months or less at the date of purchase. Balances at financial institutions may exceed federally insured limits.

ACCOUNTS RECEIVABLE—Accounts receivable are reported net of the allowance for doubtful accounts. Our assessment of the allowance for doubtful accounts is based on several factors, including the overall creditworthiness of our customers, existing economic conditions, and the amount and age of past due accounts. We enter into netting arrangements with certain counterparties to help mitigate credit risk. Receivables subject to netting are presented as gross receivables (with the related accounts payable also presented gross) until such time as the balances are settled. Receivables are considered past due if full payment is not received by the contractual due date. Past due accounts are written off against the allowance for doubtful accounts only after all collection attempts have been exhausted.

In June 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-13, "Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments", which introduces new guidance for estimating credit losses on certain types of financial instruments based on expected losses and the timing of the recognition of such losses. For public entities, this ASU is effective for annual periods beginning after December 15, 2019, and interim periods within those years and early adoption is permitted in the year prior to the effective date. We will adopt this guidance in the first quarter of 2020. The impact is not expected to be material.

INVENTORIES—Inventories primarily consist of crude oil and asphalt. Inventories are valued at the lower of cost or net realizable value, with cost generally determined using the weighted-average method. The cost of inventory includes applicable transportation costs.

We enter into exchanges with third parties whereby we acquire products that differ in location, grade, or delivery date from products we have available for sale. These exchanges are valued at cost, and although a transportation, location or product differential may be recorded, generally no gain or loss is recognized.

In July 2015, the FASB issued ASU 2015-11, “Inventory (Topic 330): Simplifying the Measurement of Inventory”, which requires that inventory within the scope of the guidance be measured at the lower of cost and net realizable value rather than the lower of cost or market. We adopted this guidance in the first quarter of 2017. The impact was not material.

PROPERTY, PLANT AND EQUIPMENT—Property, plant and equipment is recorded at cost. We capitalize costs that extend or increase the future economic benefits of property, plant and equipment, and expense maintenance costs that do not. When assets are disposed of, their cost and related accumulated depreciation are removed from the balance sheet, and any resulting gain or loss is recorded as a gain or loss on disposal or impairment in the consolidated statements of operations and comprehensive income (loss).

Our SemCAMS segment operates plants which periodically undergo planned major maintenance activities, typically occurring every four to five years. Planned major maintenance projects that do not increase the overall life or capacity of the related assets are recorded in operating expense as incurred, whereas major maintenance activity costs that materially increase the life or capacity of the underlying assets are capitalized. When maintenance expenses are recoverable from the producers who use the plants, they are recorded as revenue, and typically include a 10% overhead fee.

Depreciation is calculated primarily using the straight-line method over the following estimated useful lives:

Pipelines and related facilities	10 – 31 years
Storage and terminal facilities	10 – 25 years
Natural gas gathering and processing facilities	10 – 31 years
Trucking equipment and other	3 – 7 years
Office property and equipment	3 – 31 years

Construction in process is reclassified to the fixed asset categories above and depreciation commences once the asset has been placed in-service.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

LINEFILL—Pipelines and storage facilities generally require a minimum volume of product in the system to enable the system to operate. Such product, known as linefill, is generally not available to be withdrawn from the system. Linefill owned by us in facilities operated by us is recorded at historical cost, is included in property, plant and equipment in the consolidated balance sheets, and is not depreciated. We also own linefill in third-party facilities, which is included in inventory on the consolidated balance sheets.

IMPAIRMENT OF LONG-LIVED ASSETS—We test long-lived asset groups for impairment when events or circumstances indicate that the net book value of the asset group may not be recoverable. We test an asset group for impairment by estimating the undiscounted cash flows expected to result from its use and eventual disposition. If the estimated undiscounted cash flows are lower than the net book value of the asset group, we then estimate the fair value of the asset group and record a reduction to the net book value of the assets and a corresponding impairment loss.

GOODWILL—We test goodwill for impairment on an annual basis, or more often if circumstances warrant, by estimating the fair value of the reporting unit to which the goodwill relates and comparing this fair value to the net book value of the reporting unit. If fair value is less than net book value, we reduce the book value accordingly and record a corresponding impairment loss. Our policy is to test goodwill for impairment on October 1 of each year.

In January 2017, the FASB issued ASU 2017-04, "Intangibles - Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment", which removes Step 2 from the goodwill impairment test. Under the amended guidance, an entity should perform its annual, or interim, goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount. An entity should recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value. We adopted this guidance in the third quarter of 2017 in conjunction with the impairment test of our Field Services business unit. See Note 11 for information related to the impairment of Field Services goodwill and intangible assets.

FINITE-LIVED INTANGIBLE ASSETS—Finite-lived intangible assets are stated at cost, net of accumulated amortization, which is recorded on a straight-line or accelerated basis over the life of the asset. We review amortizable intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. If such a review should indicate that the carrying amount of amortizable intangible assets is not recoverable, we reduce the carrying amount of such assets to fair value.

EQUITY METHOD INVESTMENTS—We account for an investment under the equity method when we have significant influence over, but not control of, the significant operating decisions of the investee. Under the equity method, we record in the consolidated statements of operations our share of the earnings or losses of the investee, with a corresponding adjustment to the investment balance on our consolidated balance sheet. When we receive a distribution from an equity method investee, we record a corresponding reduction to the investment balance. When an equity method investee issues additional ownership interests which dilute our ownership interest, we recognize a gain or loss in our consolidated statements of operations.

We assess our equity method investments for impairment when circumstances indicate that the carrying value may not be recoverable and record an impairment when a decline in value is considered to be other than temporary.

For equity method investments for which we do not expect financial information to be consistently available on a timely basis to apply the equity method currently, our policy is to apply the equity method consistently on a one-quarter lag.

DEBT ISSUANCE COSTS—Costs incurred in connection with the issuance of long-term debt are reported as a reduction to the carrying value of the associated debt instrument and are amortized to interest expense using the straight-line method over the term of the related debt. Use of the straight-line method of amortization does not differ materially from the "effective interest" method.

Capitalized loan fees related to our revolving credit facility are presented as other noncurrent assets.

COMMODITY DERIVATIVE INSTRUMENTS—We generally record the fair value of commodity derivative instruments on the consolidated balance sheets and the change in fair value as an increase or decrease to product revenue.

As shown in Note 12, the fair value of commodity derivatives at December 31, 2017 and 2016 are recorded to other current assets or other current liabilities on the consolidated balance sheets. Related margin deposits are recorded to other current assets or other current liabilities on the consolidated balance sheets. Margin deposits are not generally netted against derivative assets or liabilities.

The fair value of a derivative contract is determined based on the nature of the transaction and the market in which the transaction was executed. Quoted market prices, when available, are used to value derivative transactions. In situations

SEMGROUP CORPORATION
Notes to Consolidated Financial Statements

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

where quoted market prices are not readily available, we estimate the fair value using other valuation techniques that reflect the best information available under the circumstances. Fair value measurements of derivative assets include consideration of counterparty credit risk. Fair value measurements of derivative liabilities include consideration of our creditworthiness.

We have elected "normal purchase" and "normal sale" treatment for certain commitments to purchase or sell petroleum products at future dates. This election is only available when a transaction that would ordinarily meet the definition of a derivative but instead is expected to result in physical delivery of product over a reasonable period in the normal course of business and is not expected to be net settled. Agreements accounted for under this election are not recorded at fair value; instead, the transaction is recorded when the product is delivered.

CONTINGENT LOSSES—We record a liability for a contingent loss when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated. We record attorneys' fees incurred in connection with a contingent loss at the time the fees are incurred. We do not record liabilities for attorneys' fees that are expected to be incurred in the future.

ASSET RETIREMENT OBLIGATIONS—Asset retirement obligations include legal or contractual obligations associated with the retirement of long-lived assets, such as requirements to incur costs to dispose of equipment or to remediate the environmental impacts of the normal operation of the assets. We record liabilities for asset retirement obligations when a known obligation exists under current law or contract and when a reasonable estimate of the value of the liability can be made.

REVENUE RECOGNITION—Sales of product, as well as gathering and marketing revenues, are recognized at the time title to the product transfers to the purchaser, which typically occurs upon receipt of the product by the purchaser. Terminal and storage revenues are recognized at the time the service is performed. Revenue for the transportation of product is recognized upon delivery of the product to its destination. Certain revenue transactions are reported on a net basis, including certain buy/sell transactions (see "Purchases and Sales of Inventory with the Same Counterparty"). Other revenue primarily represents operating cost recovery from working interest owners, who are also customers, in certain processing plants and is recorded when earned in accordance with the terms of related agreements. Taxes collected from customers and remitted to governmental authorities are recorded on a net basis (excluded from revenue).

In May 2014, the FASB issued ASU 2014-09, "Revenue from Contracts with Customers", as amended, which supersedes nearly all existing revenue recognition guidance under U.S. GAAP. The core principle of ASU 2014-09 is to recognize revenues when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled for those goods or services. ASU 2014-09 defines a five step process to achieve this core principle and, in doing so, more judgment and estimates may be required within the revenue recognition process than are required under existing U.S. GAAP. The standard permits using either of the following transition methods: (i) a full retrospective approach reflecting the application of the standard in each prior reporting period with the option to elect certain practical expedients, or (ii) a retrospective approach with the cumulative effect of initially adopting ASU 2014-09 recognized at the date of adoption (which includes additional footnote disclosures). We will use a retrospective approach with the cumulative effect of initially adopting ASU 2014-09 recognized at the date of adoption, January 1, 2018.

We have identified certain areas of impact including:

- We have certain natural gas gathering and processing agreements for which we provide gathering and processing services to the producer and market the gas to third-parties. Historically, we have accounted for these transactions as purchases at the wellhead and recorded the service fees as a reduction of cost of sales. Under ASU 2014-09, we expect some of these agreements to be treated as purchases at the wellhead and some to be treated as services with a purchase at the processing plant tailgate, depending on when we obtain control of the product. This change will not impact gross margin but will lead to higher revenue and cost of sales for transactions where control is deemed to pass at the plant tailgate.
- In addition, certain contractual arrangements include "take-or-pay" provisions. The fixed fees to which we have an unconditional right under these contracts could be subject to certain recognition changes. Under our current policies, revenues related to certain "take-or-pay" deficiency payments received from customers are deferred until the contractual right to make up volumetric deficiencies has expired. Under ASU 2014-09, these revenues will be recognized when make up of the volumetric deficiencies is no longer considered

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

probable. Deferred revenues related to these agreements at December 31, 2017, which will then be recognized through retained earnings at adoption, is not material.

- Approximately $10.0 million of incremental costs of obtaining contracts, which was expensed in prior periods, will be capitalized through an adjustment to retained earnings. These costs will be amortized over approximately 20 years to match the tenor of the underlying agreements.

COSTS OF PRODUCTS SOLD—Costs of products sold consists of the cost to purchase the product, the cost to transport the product to the point of sale, and the cost to store the product until it is sold.

PURCHASES AND SALES OF INVENTORY WITH THE SAME COUNTERPARTY—We routinely enter into transactions to purchase inventory from, and sell inventory to, the same counterparty. Such transactions that are entered into in contemplation of one another are recorded on a net basis.

CURRENCY TRANSLATION—The consolidated financial statements are presented in U.S. dollars. Our segments operate in four countries, and each segment has identified a "functional currency," which is the primary currency in the environment in which the segment operates. The functional currencies include the U.S. dollar, the Canadian dollar, the British pound sterling, and the Mexican peso.

At the end of each reporting period, the assets and liabilities of each segment are translated from its functional currency to U.S. dollars using the exchange rate at the end of the month. The monthly results of operations of each segment are generally translated from its functional currency to U.S. dollars using the average exchange rate during the month. Changes in exchange rates result in currency translation gains and losses, which are recorded within other comprehensive income (loss).

Certain segments also enter into transactions in currencies other than their functional currencies. At the end of each reporting period, each segment re-measures the related receivables, payables, and cash to its functional currency using the exchange rate at the end of the period. Changes in exchange rates between the time the transactions were entered into and the end of the reporting period result in currency transaction gains or losses, which are recorded in the consolidated statements of operations.

INCOME TAXES—Deferred income taxes are accounted for under the liability method, which takes into account the differences between the basis of the assets and liabilities for financial reporting purposes and amounts recognized for income tax purposes. We record valuation allowances on deferred tax assets when, in the opinion of management, it is more likely than not that the asset will not be recovered.

We monitor uncertain tax positions and we recognize tax benefits only when management believes the relevant tax positions would more likely than not be sustained upon examination. We record any interest and any penalties related to income taxes within income tax expense in the consolidated statements of operations.

In November 2015, the FASB issued ASU 2015-17, "Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes", which requires all deferred tax assets and liabilities to be classified as noncurrent in the statement of financial position. For public entities, this ASU is effective for annual periods beginning after December 15, 2016, and interim periods within those years. The new guidance may be applied prospectively or retrospectively and early adoption is permitted. We adopted this guidance in the first quarter of 2017. Prior periods were not retrospectively adjusted and the impact was not material.

In October 2016, the FASB issued ASU 2016-16, "Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other Than Inventory", which requires an entity to recognize the income tax consequences of an intra-entity transfer of an asset other than inventory when the transfer occurs. For public entities, this ASU is effective for annual periods beginning after December 15, 2017, and interim periods within those years and early adoption is permitted in the year prior to the effective date. We will adopt this guidance in the first quarter of 2018. The impact is not expected to be material.

In February 2018, the FASB issued ASU 2018-02, "Income Statement - Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income", which allows a reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the Tax Cuts and Jobs Act. For public entities, this ASU is effective for annual periods beginning after December 15, 2018, and interim periods within those years and early adoption is permitted in the year prior to the effective date. We will adopt this guidance in the first quarter of 2019. The amendments in this Update should be applied either in the period of adoption or retrospectively to each period (or periods) in which the effect of the change in the U.S. federal corporate income tax rate in the Tax Cuts and Jobs Act is recognized. The impact is not expected to be material.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

RECLASSIFICATIONS—Certain reclassifications have been made to conform prior year balances to the current year presentation.

PENSION BENEFITS—Pension cost and obligations are actuarially determined and are affected by assumptions including expected return on plan assets, discount rates, compensation increases, and employee turnover rates. We evaluate our assumptions periodically and make adjustments to these assumptions and the recorded liability as necessary. Actuarial gains or losses are amortized on a straight-line basis over the expected remaining service life of employees in the pension plan.

In March 2017, the FASB issued ASU 2017-07, "Compensation - Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Post-retirement Benefit Cost", which requires that an employer disaggregate the service cost component from other components of net benefit cost. This ASU also provides explicit guidance on how to present the service cost component and the other components of net benefit cost in the income statement and allows only the service cost component of net benefit cost to be eligible for capitalization. For public entities, this ASU is effective for annual periods beginning after December 15, 2017, and interim periods within those years. We will adopt this guidance in the first quarter of 2018. The impact is not expected to be material.

EQUITY-BASED COMPENSATION—We grant certain of our employees and non-managerial directors equity-based compensation awards which vest contingent on continued service of the recipient and, in some cases, on their achievement of specific performance targets or market conditions. We record compensation expense for these outstanding awards over applicable service or performance periods based on their grant date fair value with a corresponding increase to additional paid-in capital. The expense to be recorded over the life of the awards is discounted for expected forfeitures during the vesting period.

In March 2016, the FASB issued ASU 2016-09, "Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting'', which simplifies several aspects of the accounting for employee share-based payment transactions, including the accounting for income taxes, forfeitures and statutory tax withholding requirements, as well as classification in the statement of cash flows. For public entities, this ASU is effective for annual periods beginning after December 15, 2016, and interim periods within those years and early adoption is permitted. We adopted this guidance in the first quarter of 2017. We recorded adjustments of $2.1 million and $1.7 million to "accumulated deficit" and "additional paid-in capital", respectively, upon adoption offset by changes to our income tax liabilities.

In May 2017, the FASB issued ASU 2017-09, "Compensation - Stock Compensation (Topic 718): Scope of Modification Accounting", to provide clarity and reduce diversity in practice in determining which changes to terms or conditions of a share-based payment award require an entity to apply modification accounting under Accounting Standards Codification Topic 718. For public entities, this ASU is effective for annual periods beginning after December 15, 2017, and interim periods within those years. We will adopt this guidance in the first quarter of 2018. The impact is not expected to be material.

COMPREHENSIVE INCOME (LOSS) AND ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)—Comprehensive income (loss) is defined as a change in equity of a business enterprise during a period from transactions and other events and circumstances from non-owner sources and includes all changes in equity during a period except those resulting from investments by owners and distributions to owners. Our comprehensive income (loss) includes currency translation adjustments and changes in the funded status of pension benefit plans.

OTHER RECENT ACCOUNTING PRONOUNCEMENTS—In August 2016, the FASB issued ASU 2016-15, "Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments (a consensus of the Emerging Issues Task Force)", to reduce diversity in practice in how certain transactions are classified in the statement of cash flows. The update addresses eight different transaction types and clarifies how to classify each in the statement of cash flows, where previously there was unclear or no specific guidance. For public entities, this ASU is effective for annual periods beginning after December 15, 2017, and interim periods within those years and early adoption is permitted in the year prior to the effective date. We will adopt this guidance in the first quarter of 2018. The impact is not expected to be material.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

In February 2016, the FASB issued ASU 2016-02, “Leases (Topic 842)”, which amends the existing lease guidance to require lessees to recognize assets and liabilities on the balance sheet for the rights and obligations created by operating and finance leases and to disclose additional quantitative and qualitative information about leasing arrangements. This ASU also provides clarifications surrounding the presentation of the effects of leases in the income statement and statement of cash flows. For public entities, this ASU will be effective for annual periods beginning after December 15, 2018, and interim periods within those years. The new guidance will be applied using a modified retrospective approach and early adoption is permitted. We are currently evaluating the impact of the adoption of ASU 2016-02 on our consolidated financial statements, but are not yet able to quantify the impact. We continue to monitor FASB activity related to this ASU and have engaged with various peer groups to assess certain interpretive issues related to this ASU. We will adopt this guidance in the first quarter of 2019.

4. DISPOSALS OR IMPAIRMENTS OF LONG-LIVED ASSETS

Year ended December 31, 2017

The following amounts are included in "loss on disposal or impairment, net" on our consolidated statement of operations and comprehensive income (loss) for the year ended December 31, 2017 (in thousands):

	Segment		Loss/(Gain)
Write-down of Mexican asphalt business to net realizable value	Corporate and Other	$	13,511
Write-down U.K. operations to net realizable value	Corporate and Other		76,661
Sherman natural gas gathering and processing asset impairment	SemGas		30,985
Crude oil trucking goodwill impairment (Note 11)	Crude Transportation		26,628
Crude oil trucking intangible asset impairment (Note 11)	Crude Transportation		12,087
Gain on sale of Glass Mountain (Note 6)	Crude Transportation		(150,266)
Other			3,727
Loss on disposal or impairment, net		$	13,333

On January 5, 2018, we entered into a definitive agreement to sell our Mexican asphalt business for $55 million in cash plus or minus non-cash working capital as of closing (subject to customary adjustments for capital expenditures). At December 31, 2017, the assets and liabilities of the Mexican asphalt business are reflected on the consolidated balance sheet as held for sale and have been written down to net realizable value by recording an impairment of $13.5 million, including the impact of a deferred foreign currency translation loss of $30.9 million. We expect the sale to close in the second quarter of 2018. The proceeds from the disposal will be used to repay debt. The Mexican asphalt business contributed a pre-tax loss of $8.2 million for the year-ended December 31, 2017, including the write-down to net realizable value. At December 31, 2017, the Mexican assets and liabilities held for sale included $29.4 million of property, plant and equipment, $34.9 million of current assets and $19.4 million of current liabilities.

On February 23, 2018, we entered into an agreement to sell our U.K. operations, SemLogistics, for an estimated $71.5 million. In addition to the sale price, the agreement provides for potential earnout payments to be made to SemGroup if certain revenue targets are met in the four years following close of the transaction. SemGroup intends to use proceeds from the sale toward its capital raise plan and to pre-fund capital growth projects. The sale is expected to close by the end of the third quarter of 2018.

At December 31, 2017, the assets and liabilities of our storage and terminalling business in the U.K. are reflected on the consolidated balance sheet as held for sale and have been written down to net realizable value by recording an impairment of $76.7 million, including the impact of a deferred foreign currency translation loss of $22.8 million. Net realizable value was estimated at $71.5 million less working capital adjustments and costs to sell. The U.K. business contributed a pre-tax loss of $73.0 million for the year-ended December 31, 2017, including the write-down to net realizable value. At December 31, 2017, the U.K. assets and liabilities held for sale included $136.8 million of property, plant and equipment, $3.1 million of current assets and $4.4 million of current liabilities.

4. DISPOSALS AND IMPAIRMENTS OF LONG-LIVED ASSETS, Continued

At December 31, 2017, we recorded a $31.0 million impairment of our Sherman, Texas natural gas gathering and processing assets of our SemGas segment. Evaluation of capital raising alternatives indicated that the carrying value of our Sherman, Texas assets might be in excess of fair value. We compared the forecasted undiscounted cash flows for the assets to the carrying value of the assets, which indicated that the carrying value of assets was impaired. We used an income approach based on a discounted cash flow model to estimate the fair value of the assets and recorded a non-cash impairment.

Impairments are based on unobservable inputs and considered to be Level 3 measurements. See Note 6 for discussion of the sale of our equity method investment in Glass Mountain. See Note 11 for discussion of impairment of goodwill and finite-lived intangible assets recorded by our Crude Transportation segment.

Year ended December 31, 2016

There were no significant disposals or impairments of long-lived assets during the year ended December 31, 2016. See Note 6 for discussion of our sale of NGL Energy limited partner units accounted for under the equity method. See Note 11 for discussion of goodwill impairment related to our SemGas segment.

Year ended December 31, 2015

During the year ended December 31, 2015, our SemGas segment sold certain non-core Kansas based gas gathering and compression assets for approximately $1.0 million, resulting in a pre-tax loss of approximately $1.7 million which is reported in "loss on disposal or impairment, net" in the consolidated statement of operations and comprehensive income (loss). See Note 6 for discussion of our sale of NGL Energy limited partner units accounted for under the equity method. See Note 11 for discussion of the goodwill impairment recorded by our Crude Transportation segment.

5. ACQUISITIONS

Year ended December 31, 2017

On July 17, 2017, we acquired Houston Fuel Oil Terminal Company (“HFOTCO”), one of the largest oil terminals in the U.S., for a purchase price paid, or to be paid, in two payments. This acquisition establishes our position in the premier energy market, the Houston Ship Channel, and provides a strategic platform to refinery-facing growth. The first payment consisted of $297.8 million in cash funded from our revolving credit facility, the issuance of approximately 12.4 million shares of our Class A common stock and the assumption of existing HFOTCO debt of approximately $766 million. The second payment requires us to pay the sellers $600 million in cash, if paid on December 31, 2018 (the “Second Payment”). If paid prior to December 31, 2018, the amount payable will be discounted by 5% per annum. If not paid by December 31, 2018, the amount payable increases to $680 million and is due by December 31, 2019, or earlier if requested by the sellers. The Second Payment is reflected on the balance sheet as the present value of cash flows based on a weighted average of the expected timing of payment under various scenarios and using an 8% discount rate. The acquisition date fair value of the common shares issued is approximately $330 million, based on $26.68 per common share market price at issuance.

We have recorded the purchase price allocation as follows (in thousands):

5. ACQUISITIONS, Continued

Assets acquired		
Cash	$	3,583
Accounts receivable		11,101
Other current assets		5,277
Property, plant and equipment		1,327,168
Intangible assets subject to amortization		
Customer contracts		1,000
Customer relationships		260,000
Non-compete agreement		30,000
Goodwill		257,302
Other noncurrent assets		72,392
Total assets acquired	$	1,967,823

Consideration		
Cash	$	297,822
Common shares		330,341
Second Payment		549,900
Liabilities assumed		
Accounts payable and accrued liabilities		9,876
Current portion of long-term debt		5,500
Long-term debt		760,500
Other noncurrent liabilities		13,884
Total liabilities assumed		789,760
Total consideration	$	1,967,823

Finite-lived intangibles are amortized over their estimated useful lives. The non-compete agreement is effective for two years from the acquisition date and will be amortized straight-line over the two-year period. Customer relationships are being amortized over 28.5 years on an accelerated basis which matches the incremental cash flow models used to value the intangible assets and in consideration of a historical customer attrition rate of 5%. Customer contracts are being amortized over three years on an accelerated basis. Goodwill primarily relates to the location of the business and potential for future growth. Goodwill is amortizable over 15 years for income tax purposes.

From the acquisition date through December 31, 2017, HFOTCO contributed $76.9 million of revenue and $2.4 million of net loss to our consolidated financial results. Our results for the year ended December 31, 2017, include $19.2 million of acquisition related expenses which are included in "general and administrative expenses" in our consolidated statement of operations and comprehensive income (loss). Included in the results of HFOTCO for the post acquisition period is a gain of $3.0 million related to the curtailment of HFOTCO's defined benefit pension plan. Subsequent to the acquisition, SemGroup closed the plan to new members and stopped the accrual of future benefits under the plan to better align HFOTCO with SemGroup's compensation strategy. Accordingly, the pension liability assumed at acquisition of $10.0 million was reduced to $7.0 million as of December 31, 2017.

Unaudited pro forma financial information for the periods disclosed below has been prepared as if the transaction occurred on January 1, 2016 (in thousands):

5. ACQUISITIONS, Continued

	Pro forma (unaudited) Year Ended December 31,	
	2017	2016
Revenue	$ 2,168,747	$ 1,491,142
Net loss	$ (22,649)	$ (23,011)
Basic and diluted loss per share attributable to SemGroup	$ (0.29)	$ (0.54)

These pro forma amounts have been calculated after applying our accounting policies and adjusting the results of HFOTCO to reflect the additional depreciation and amortization that would have been charged assuming the fair value adjustments to property, plant, and equipment, and intangible assets had been applied from January 1, 2016. Additionally, incremental interest expense has been added related to the Second Payment assuming an 8% interest rate and cash consideration paid assuming a 5.5% interest rate. The income tax impact of these adjustments has been included in pro forma net loss using our historical blended statutory rates of 37.8% and 37.7% for the years ended December 31, 2017 and 2016, respectively. This unaudited pro forma consolidated financial information is provided for illustrative purposes only and does not purport to represent what our actual results would have been if the acquisition had occurred on the date assumed, nor is it necessarily indicative of our future operating results. However, the pro forma adjustments reflected in this unaudited pro forma consolidated financial information are based on estimates and assumptions that we believe to be reasonable.

The assets and credit of the acquired entities and their holding companies, all of which are included in the HFOTCO segment, are not available to satisfy the debts and obligations of other SemGroup entities. HFOTCO is not a subsidiary guarantor of SemGroup's senior unsecured notes or revolving credit facility.

Year ended December 31, 2016

On September 30, 2016, we completed the acquisition of the outstanding common limited partner interests of Rose Rock Midstream, L.P. ("Rose Rock") which we did not already own (the "Merger"). We issued 13.1 million common shares as consideration and recorded a reduction to equity for $5.3 million of fees associated with the issuance. In addition, we recorded a reduction to our deferred tax liabilities and offsetting increase to additional paid-in capital of $143.3 million associated with the transaction. This non-cash adjustment represents the deferred tax impact of the difference between the book value of the noncontrolling interests acquired and the tax basis which is stepped-up to the fair market value of the consideration which includes the common shares issued and the assumption of liabilities associated with the noncontrolling interests.

We accounted for the Merger in accordance with FASB Accounting Standards Codification 810, *Consolidation — Overall — Changes in a Parent's Ownership Interest in a Subsidiary*. As SemGroup controlled Rose Rock both before and after the Merger, the changes in SemGroup's ownership interest in Rose Rock were accounted for as an equity transaction and no gain or loss was recognized in SemGroup's consolidated statements of operations and comprehensive income (loss) as a result of the Merger. Subsequent to the Merger, Rose Rock was a wholly owned subsidiary of SemGroup.

Substantially all of Rose Rock's assets were pledged as collateral under its senior secured revolving credit facility agreement which was terminated following the Merger. Substantially all of Rose Rock's assets are now pledged as collateral under SemGroup's senior secured revolving credit facility. Rose Rock's senior unsecured notes were assumed by SemGroup.

6. EQUITY METHOD INVESTMENTS

Our equity method investments consist of the following (in thousands):

	December 31,	
	2017	2016
White Cliffs	$ 266,362	$ 281,734
Glass Mountain	—	133,622
NGL Energy	18,919	18,933
Total equity method investments	$ 285,281	$ 434,289

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6. EQUITY METHOD INVESTMENTS, Continued

Our earnings from equity method investments consist of the following (in thousands):

	Year Ended December 31,		
	2017	2016	2015
White Cliffs	$ 59,851	$ 69,007	$ 70,238
Glass Mountain	7,494	2,562	6,117
NGL Energy[(1)]	(14)	2,188	5,031
Total earnings from equity method investments	$ 67,331	$ 73,757	$ 81,386

(1) Excluding a loss on issuance of common units of $41.0 thousand for the year ended December 31, 2016, and a gain on the issuance of common units of $6.4 million for the year ended December 31, 2015.

Cash distributions received from equity method investments consist of the following (in thousands):

	Year Ended December 31,		
	2017	2016	2015
White Cliffs	$ 77,511	$ 88,839	$ 86,845
Glass Mountain	18,011	10,456	13,623
NGL Energy	—	4,873	19,074
Total cash distributions received from equity method investments	$ 95,522	$ 104,168	$ 119,542

White Cliffs

We own a 51% interest in White Cliffs, which we account for under the equity method. The equity in earnings of White Cliffs for the years ended December 31, 2017, 2016 and 2015 reported in our consolidated statements of operations and comprehensive income (loss) is less than 51% of the net income of White Cliffs for the same period. This is primarily due to certain general and administrative expenses we incur in managing the operations of White Cliffs that the other members are not obligated to share. In addition, our equity in earnings is also impacted by the elimination of revenue on the sale of inventory to White Cliffs. Revenue related to inventory transactions with White Cliffs is deferred until a sale of the inventory has been made with a third party.

The members of White Cliffs are required to contribute capital to White Cliffs to fund various projects. For the years ended December 31, 2017, 2016 and 2015, we contributed $1.4 million, $2.2 million and $42.8 million, respectively, to White Cliffs capital projects.

Our membership interest in White Cliffs is significant as defined by Securities and Exchange Commission's Regulation S-X Rule 1-02(w). Accordingly, as required by Regulation S-X Rule 3-09, we have included the audited financial statements of White Cliffs as of December 31, 2017 and 2016 and for each of the three years in the period ended December 31, 2017 as an exhibit to this Form 10-K.

Glass Mountain

On December 22, 2017, we completed the sale of our equity method investment in Glass Mountain for $300 million, subject to working capital and other adjustments. We recorded a pre-tax gain on disposal of $150.3 million, which was reported in "loss on disposal or impairment, net" in our consolidated statement of operations and comprehensive income (loss). Proceeds from the sale were used to repay borrowings on SemGroup's revolving credit facility.

NGL Energy

At December 31, 2017, we held an 11.78% interest in the general partner of NGL Energy which is being accounted for under the equity method in accordance with ASC 323-30-S99-1, as our ownership is in excess of the 3 to 5 percent interest which is generally considered to be more than minor.

The general partner of NGL Energy is not a publicly traded company. The information below pertains to our general partner interest, and previously held limited partner interest, in NGL Energy.

6. EQUITY METHOD INVESTMENTS, Continued

NGL Energy unit issuances and sales of NGL Energy units

During the year ended December 31, 2016, we sold our remaining 4,652,568 NGL Energy limited partner units for $13.00 per unit, or $60.5 million, and recorded a $9.1 million gain on disposal. During the year ended December 31, 2015, we sold 1,999,533 of our NGL Energy common units for $56.3 million, net of related costs of $0.5 million. We recorded a net gain of $14.5 million. Subsequent to these disposals, we no longer hold a limited partner interest in NGL Energy. Gains on disposal of NGL Energy limited partner units are included in "loss (gain) on sale or impairment of non-operated equity method investment" in our consolidated statements of operations and comprehensive income (loss).

During the years ended December 31, 2016 and 2015, our limited partnership interest was diluted in connection with NGL Energy common unit issuances. Accordingly, we recorded a non-cash loss of $41.0 thousand for the year ended December 31, 2016 and a non-cash gain of $6.4 million for the year ended December 31, 2015 related to these transactions, which are included in "gain (loss) on issuance of common units by equity method investee" in our consolidated statements of operations and comprehensive income (loss).

Other-than-temporary impairment of equity method investment in NGL Energy

During the year ended 2016, we recorded an impairment of $39.8 million to our investment in the limited partner units of NGL Energy subsequent to NGL Energy's April 21, 2016 announcement of a reduction in its quarterly distribution and lowering of financial performance guidance. These units were subsequently sold in the second quarter of 2016. The impairment was included in "loss (gain) on sale or impairment of non-operated equity method investment" in our consolidated statements of operations and comprehensive income (loss).

7. SEGMENTS

As described in Note 1, our businesses are organized based on the nature and location of the services they provide. Certain summarized information related to our reportable segments is shown in the tables below. None of the operating segments have been aggregated. The results of HFOTCO, subsequent to the acquisition date, are shown as a separate segment below. Although Corporate and Other does not represent an operating segment, it is included in the tables below to reconcile segment information to that of the consolidated Company. Prior period segment disclosures have been recast to include the SemMexico and SemLogistics segments within Corporate and Other, as these businesses are no longer significant and are not expected to be significant in the future. Eliminations of transactions between segments are also included within Corporate and Other in the tables below.

During the fourth quarter of 2017, we changed our definition of segment profit to focus on the results of each segment exclusive of general and administrative costs and related overhead allocations. Segment Profit is defined as revenue, less cost of products sold (exclusive of depreciation and amortization) and operating expenses, plus equity earnings and is adjusted to remove unrealized gains and losses on commodity derivatives and to reflect equity earnings on an EBITDA basis. Reflecting equity earnings on an EBITDA basis is achieved by adjusting equity earnings to exclude our percentage of interest, taxes, depreciation and amortization from equity earnings for operated equity method investees. For our investment in NGL Energy, we exclude equity earnings and include cash distributions received. Prior period segment profit has been recast to be consistent with the revised definition.

The accounting policies of each segment are the same as the accounting policies of the consolidated Company. Transactions between segments are generally recorded based on prices negotiated between the segments.

Our results by segment are presented in the tables below (in thousands):

	Year Ended December 31,		
	2017	2016	2015
Revenues:			
Crude Transportation			
External	$ 74,993	$ 64,853	$ 81,991
Intersegment	31,939	26,878	15,021
Crude Facilities			
External	42,327	45,956	45,936
Intersegment	10,594	10,674	—

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7. SEGMENTS, Continued

Crude Supply and Logistics			
External	1,299,343	716,570	716,784
HFOTCO			
External	76,885	—	—
SemGas			
External	222,048	208,042	231,569
Intersegment	11,170	10,928	20,605
SemCAMS			
External	183,232	133,216	136,197
Corporate and Other			
External	183,089	163,527	242,617
Intersegment	(53,703)	(48,480)	(35,626)
Total Revenues	$ 2,081,917	$ 1,332,164	$ 1,455,094

	Year Ended December 31,		
	2017	2016	2015
Earnings from equity method investments:			
Crude Transportation	$ 67,345	$ 71,569	$ 76,355
Corporate and Other [1]	(14)	2,147	11,416
Total earnings from equity method investments	$ 67,331	$ 73,716	$ 87,771

(1) Including gain (loss) on issuance of common units by equity method investee.

	Year Ended December 31,		
	2017	2016	2015
Depreciation and amortization:			
Crude Transportation	$ 35,953	$ 24,483	$ 35,500
Crude Facilities	8,113	7,781	5,829
Crude Supply and Logistics	400	185	159
HFOTCO	44,272	—	—
SemGas	37,059	36,170	31,803
SemCAMS	18,530	16,867	12,940
Corporate and Other	14,094	13,318	14,651
Total depreciation and amortization	$ 158,421	$ 98,804	$ 100,882

	Year Ended December 31,		
	2017	2016	2015
Income tax expense (benefit):			
HFOTCO	$ 362	$ —	$ —
SemCAMS	8,863	3,667	4,847
Corporate and other	(11,613)	7,601	28,683
Total income tax expense (benefit)	$ (2,388)	$ 11,268	$ 33,530

7. SEGMENTS, Continued

	Year Ended December 31,		
	2017	2016	2015
Segment profit:			
Crude Transportation	$ 133,505	$ 119,726	$ 125,120
Crude Facilities	41,967	47,039	37,351
Crude Supply and Logistics	(7,801)	24,003	30,899
HFOTCO	61,536	—	—
SemGas	67,805	66,530	73,422
SemCAMS	76,274	53,264	50,238
Corporate and Other	33,237	39,534	56,822
Total segment profit	$ 406,523	$ 350,096	$ 373,852

	Year Ended December 31,		
	2017	2016	2015
Reconciliation of segment profit to net income (loss):			
Total segment profit	$ 406,523	$ 350,096	$ 373,852
Less:			
Adjustment to reflect equity earnings on an EBITDA basis	26,890	28,757	32,965
Net unrealized loss (gain) related to derivative instruments	40	989	2,014
General and administrative expense	110,373	83,908	97,366
Depreciation and amortization	158,421	98,804	100,882
Loss on disposal or impairment, net	13,333	16,048	11,472
Interest expense	103,009	62,650	69,675
Loss on early extinguishment of debt	19,930	—	—
Foreign currency transaction loss (gain)	(4,709)	4,759	(1,067)
Loss (gain) on sale or impairment of non-operated equity method investment	—	30,644	(14,517)
Other expense (income), net	(1,226)	(994)	(1,284)
Income tax expense (benefit)	(2,388)	11,268	33,530
Loss from discontinued operations	—	1	4
Net income (loss)	$ (17,150)	$ 13,262	$ 42,812

	Year Ended December 31,		
	2017	2016	2015
Additions to long-lived assets, including acquisitions and contributions to equity method investments:			
Crude Transportation	$ 262,728	$ 230,139	$ 219,227
Crude Facilities	4,775	6,439	30,118
Crude Supply and Logistics	2,233	3,664	2,564
HFOTCO	2,019,482	—	—
SemGas	100,537	21,913	110,908
SemCAMS	113,263	34,506	142,368

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7. SEGMENTS, Continued

Corporate and Other		18,062		28,020		21,259
Total additions to long-lived assets	$	2,521,080	$	324,681	$	526,444

	December 31,			
	2017		2016	
Total assets (excluding intersegment receivables):				
Crude Transportation	$	1,039,399	$	1,042,327
Crude Facilities		153,953		156,907
Crude Supply and Logistics		674,684		484,475
HFOTCO		2,003,298		—
SemGas		714,777		683,952
SemCAMS		518,900		379,785
Corporate and Other		271,806		327,526
Total	$	5,376,817	$	3,074,972

	December 31,			
	2017		2016	
Equity investments:				
Crude Transportation	$	266,362	$	415,356
Corporate and Other		18,919		18,933
Total equity investments	$	285,281	$	434,289

8. INVENTORIES

Inventories consist of the following (in thousands):

	December 31,			
	2017		2016	
Crude oil	$	101,665	$	89,683
Asphalt and other		—		9,551
Total inventories	$	101,665	$	99,234

During the year ended December 31, 2017, our Crude Supply and Logistics segment recorded non-cash charges of $0.5 million to write-down crude oil inventory to the lower of cost or net realizable value. There were no inventory write-downs during the year ended December 31, 2016. Asphalt inventory of $15.6 million was classified as held for sale at December 31, 2017.

9. OTHER ASSETS

Other current assets consist of the following (in thousands):

	December 31,			
	2017		2016	
Prepaid expenses	$	8,746	$	6,801
Deferred tax asset		—		2,244
Other		5,551		9,585
Total other current assets	$	14,297	$	18,630

9. OTHER ASSETS, Continued

Other noncurrent assets consist of the following (in thousands):

	December 31,	
	2017	2016
Capitalized loan fees	$ 8,774	$ 10,242
Net investment in direct financing lease	67,825	—
Deferred tax asset	33,792	43,431
Other	22,209	3,856
Total other noncurrent assets, net	$ 132,600	$ 57,529

Net investment in direct financing lease, included in the table above, relates to our HFOTCO segment's lease of certain land, tanks and a barge dock which are accounted for as a direct financing lease. The assets are leased through 2025. At December 31, 2017, minimum lease payments to be received for each of the five succeeding fiscal years and thereafter are as follows (in thousands):

For the year ending:	
December 31, 2018	$ 12,833
December 31, 2019	12,837
December 31, 2020	12,841
December 31, 2021	12,845
December 31, 2022	12,849
Thereafter	31,068
Total minimum lease payments	$ 95,273

10. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consists of the following (in thousands):

	December 31,	
	2017	2016
Land	$ 273,168	$ 90,337
Pipelines and related facilities	926,799	398,053
Storage and terminal facilities	1,111,001	279,506
Natural gas gathering and processing facilities	940,130	874,704
Linefill	25,747	25,804
Trucking equipment and other	45,162	45,417
Office property and equipment	63,052	61,146
Construction-in-progress	374,914	380,740
Property, plant and equipment, gross	3,759,973	2,155,707
Accumulated depreciation	(444,842)	(393,635)
Property, plant and equipment, net	$ 3,315,131	$ 1,762,072

Land in the table above includes $106.2 million and $76.8 million of rights-of-way at December 31, 2017 and 2016, respectively. The weighted average remaining useful life of rights-of-way at December 31, 2017 was approximately 20 years.

We recorded depreciation expense of $126.3 million, $87.9 million and $90.5 million for the years ended December 31, 2017, 2016 and 2015, respectively.

10. PROPERTY, PLANT AND EQUIPMENT, Continued

We include within the cost of property, plant and equipment interest costs incurred while an asset is being constructed. We capitalized $18.4 million, $17.0 million and $1.0 million of interest costs during the years ended December 31, 2017, 2016 and 2015, respectively.

11. GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill

Goodwill relates to the following segments (in thousands):

	December 31,	
	2017	2016
Crude Transportation	$ —	$ 26,628
HFOTCO	257,302	—
Corporate and Other	—	7,602
Total goodwill	$ 257,302	$ 34,230

Changes in goodwill balances during the period from December 31, 2014 to December 31, 2017 are shown below (in thousands):

Balance, December 31, 2014	$ 58,326
Crude oil trucking impairment loss	(9,488)
Currency translation adjustments	(806)
Balance, December 31, 2015	48,032
SemGas impairment loss	(13,052)
Currency translation adjustments	(750)
Balance, December 31, 2016	34,230
Crude oil trucking impairment loss	(26,628)
Reclassification of SemMexico goodwill as held for sale (Note 4)	(7,808)
HFOTCO acquisition (Note 5)	257,302
Currency translation adjustments	206
Balance, December 31, 2017	$ 257,302

For U.S. federal income tax purposes, goodwill is amortized on a straight-line basis over 15 years.

We assess our goodwill for impairment at least annually as of October 1. No impairments were indicated as of October 1, 2017.

Crude oil trucking goodwill impairment - 2017

Based on market conditions, in the third-quarter of 2017, management lowered the long range forecast for our crude oil trucking business unit, which provides truck transportation services as part of our Crude Transportation segment. The decrease in the long range forecast for crude oil trucking is primarily due to the on-going challenging business environment. We viewed the decrease in the forecast as a triggering event that indicated a potential impairment and performed an interim impairment analysis on the business unit's assets including goodwill and intangible assets.

We performed a recoverability test of our definite lived assets under ASC 360 whereby we compared the undiscounted cash flows of the asset group, which was determined to be the entire crude oil trucking reporting unit and included goodwill, to the carrying value of the assets at September 30, 2017. This test indicated that the assets were not fully recoverable. Therefore, we estimated the fair value of the definite lived assets using an income approach, supplemented by a market approach to measure impairment. We also performed an interim impairment test of our goodwill associated with the crude oil trucking reporting unit and determined the estimated fair value was less than the adjusted carrying value of the reporting unit resulting in impairment of goodwill. The cash flow models used to determine recoverability of our assets and to measure impairment expense involved using significant judgments and assumptions, which included the discount rate, anticipated revenue and volume growth rates, estimated operating expenses and capital expenditures,

11. GOODWILL AND OTHER INTANGIBLE ASSETS, Continued

which were based on our operating and capital budgets as well as our strategic plans. We considered the market approach by comparing the revenue and earnings multiples implied by our income approach to those of comparable companies for reasonableness and for estimating the fair value of certain assets of our reporting unit.

We recorded a $26.6 million impairment of goodwill and a $12.1 million impairment of intangible assets, which are reflected in “loss on disposal or impairment, net” in our consolidated statements of operations and comprehensive income (loss).

SemGas goodwill impairment - 2016

In March 2016, our SemGas segment revised the volume forecast for its northern Oklahoma system based on revised volume forecasts provided by certain producers who have chosen to adjust plans for production following release of the Oklahoma Corporation Commission’s Regional Earthquake Response Plan that curtails the amount of volume that can be injected into disposal wells.

Based on the reduction to our forecast, we tested our SemGas segment's long-lived assets, finite-lived intangible assets and goodwill for impairment at March 31, 2016. No impairment was indicated for SemGas' long-lived assets and finite-lived intangible assets based on an undiscounted cash flow analysis. However, we did record an impairment of SemGas' goodwill for the entire balance of $13.1 million.

To test the goodwill for impairment, we used an income approach, supplemented by a market approach to calculate the fair value of the reporting unit. Under the income approach, we utilized a discounted cash flow model to determine the fair value of our SemGas operations. Significant judgments and assumptions included the discount rate, anticipated revenue and volume growth rates, estimated operating expenses and capital expenditures, which were based on our operating and capital budgets as well as our strategic plans. A significant underlying assumption is that commodity prices will eventually improve, water disposal issues will be resolved and production volumes will begin to increase. If production does not increase in the future or the production takes longer than anticipated to return, this would negatively affect our key assumptions and potentially lead to finite-lived intangible and long-lived asset impairments in the future. We considered the market approach by comparing the revenue and earnings multiples implied by our income approach to those of comparable companies for reasonableness. See Note 4 for 2017 impairment of long-lived assets.

Crude oil trucking goodwill impairment - 2015

As a result of the continued decline in oil prices and lower forecast volumes from declining drilling activity, along with lower than expected results during the fourth quarter of 2015, we performed an interim goodwill impairment analysis as of December 31, 2015, which resulted in an impairment charge of $9.5 million related to our crude oil trucking operation which was identified as the reporting unit for purposes of the impairment test.

We used an income approach, supplemented by a market approach to calculate the fair value of the reporting unit. Under the income approach, we utilized a discounted cash flow model to determine the fair value of our crude oil trucking operations. Significant judgments and assumptions included the discount rate, anticipated revenue and volume growth rates, estimated operating expenses and capital expenditures, which were based on our operating and capital budgets as well as our strategic plans. A significant underlying assumption is that crude oil prices will eventually improve and production volumes will begin to increase. We considered the market approach by comparing the revenue and earnings multiples implied by our income approach to those of comparable companies for reasonableness.

Other intangible assets

The gross carrying amount and accumulated amortization of intangible assets are shown below (in thousands):

11. GOODWILL AND OTHER INTANGIBLE ASSETS, Continued

	December 31, 2017			December 31, 2016		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Customer relationships	$ 424,000	$ (49,717)	$ 374,283	$ 187,114	$ (36,601)	$ 150,513
Non - compete agreement	30,000	(6,250)	23,750	—	—	—
Trade names	52	(42)	10	421	(366)	55
Customer contract	1,000	(400)	600	—	—	—
Unpatented technology	—	—	—	2,461	(2,051)	410
Total other intangible assets	$ 455,052	$ (56,409)	$ 398,643	$ 189,996	$ (39,018)	$ 150,978

Changes in other intangible asset balances during the period from December 31, 2014 to December 31, 2017 are shown below (in thousands):

Balance, December 31, 2014	$ 173,065
Amortization	(10,334)
Currency translation adjustments	(508)
Balance, December 31, 2015	162,223
Amortization	(10,928)
Currency translation adjustments	(317)
Balance, December 31, 2016	150,978
HFOTCO acquisition (Note 5)	291,000
Crude oil trucking impairment	(12,087)
Reclassification of Mexican asphalt assets as held for sale (Note 4)	(715)
Amortization	(30,628)
Currency translation adjustments	95
Balance, December 31, 2017	$ 398,643

Our other intangible assets consist primarily of customer relationships at our HFOTCO and SemGas segments and a non-compete agreement at our HFOTCO segment. These assets may be subject to impairments in the future if we are unable to maintain the relationships with the customers to which the assets relate.

We estimate that future amortization of other intangible assets will be as follows (in thousands):

For the year ending:	
December 31, 2018	$ 33,605
December 31, 2019	39,455
December 31, 2020	30,000
December 31, 2021	30,200
December 31, 2022	28,600
Thereafter	236,783
Total estimated amortization expense	$ 398,643

12. FINANCIAL INSTRUMENTS AND CONCENTRATIONS OF RISK

Fair value of financial instruments

We record certain financial assets and liabilities at fair value at each balance sheet date. The table below summarizes the balances of commodity derivative assets and liabilities at December 31, 2017 and 2016 (in thousands):

	December 31, 2017				
	Level 1	Level 2	Level 3	Netting[(1)]	Total
Assets:					
Commodity derivatives [(2)]	$ 602	$ —	$ —	$ (602)	$ —
Foreign currency forwards	—	2,564	—	—	2,564
Total assets	602	2,564	—	(602)	2,564
Liabilities:					
Commodity derivatives	1,970	—	—	(602)	1,368
Interest rate swaps	—	—	1,228	—	1,228
Total liabilities	1,970	—	1,228	(602)	2,596
Net assets (liabilities) at fair value	$ (1,368)	$ 2,564	$ (1,228)	$ —	$ (32)

	December 31, 2016				
	Level 1	Level 2	Level 3	Netting(1)	Total
Assets:					
Commodity derivatives (2)	$ 68	$ —	$ —	$ (68)	$ —
Foreign currency forwards	—	—	—	—	—
Total assets	68	—	—	(68)	—
Liabilities:					
Commodity derivatives	1,396	—	—	(68)	1,328
Interest rate swaps	—	—	—	—	—
Total liabilities	1,396	—	—	(68)	1,328
Net assets (liabilities) at fair value	$ (1,328)	$ —	$ —	$ —	$ (1,328)

(1) Relates primarily to exchange traded futures. Gain and loss positions on multiple contracts are settled net on a daily basis with the exchange.

(2) Commodity derivatives are subject to netting arrangements.

“Level 1” measurements are based on inputs consisting of unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities. These include commodity futures contracts that are traded on an exchange.

“Level 2” measurements are based on inputs consisting of market observable and corroborated prices for similar derivative contracts. Assets and liabilities classified as Level 2 include over the counter (“OTC”) traded physical fixed priced purchases and sales forward contracts.

“Level 3” measurements are based on inputs from a pricing service and/or internal valuation models incorporating observable and unobservable market data. These could include commodity derivatives, such as forwards and swaps for which there is not a highly liquid market and therefore are not included in Level 2 above and interest rate swaps for which certain unobservable inputs are used in the valuation.

Financial assets and liabilities are classified based on the lowest level of input that is significant to the fair value measurement. Our assessment of the significance of a particular input to the measurement requires judgment and may affect the valuation of assets and liabilities and their placement within the fair value levels. At December 31, 2017, all of our physical fixed price forward purchases and sales contracts were being accounted for as normal purchases and normal sales.

Our assessment of the significance of a particular input to the measurement requires judgment, and may affect the valuation of assets and liabilities and their placement within the fair value levels. The following table summarizes changes in the fair value of our net financial liabilities classified as Level 3 in the fair value hierarchy (in thousands):

12. FINANCIAL INSTRUMENTS AND CONCENTRATIONS OF RISK, Continued

	Year Ended December 31, 2017
Net liabilities - beginning balance	$ —
Interest rate swaps acquired through acquisition (Note 5)	3,275
Transfers out of Level 3	—
Realized/Unrealized (gain) loss included in earnings*	(1,124)
Settlements	(923)
Net liabilities - ending balance	$ 1,228

*Gains and losses related to interest rate swaps are recorded in interest expense in the condensed consolidated statements of operations and comprehensive income (loss).

There were no financial assets or liabilities classified as Level 3 during the years ended December 31, 2016, and 2015.

See Note 14 for fair value of debt instruments and Note 19 for fair value of benefit plan assets. The approximate fair value of cash and cash equivalents, accounts receivable and accounts payable is equal to book value due to the short-term nature of these items.

Commodity derivative contracts

Our consolidated results of operations and cash flows are impacted by changes in market prices for petroleum products. This exposure to commodity price risk is managed, in part, by entering into various commodity derivatives.

We seek to manage the price risk associated with our marketing operations by limiting our net open positions through (i) the concurrent purchase and sale of like quantities of petroleum products to create back-to-back transactions that are intended to lock in positive margins based on the timing, location or quality of the petroleum products purchased and delivered or (ii) derivative contracts. Our storage and transportation assets can also be used to mitigate time and location basis risks, respectively. All marketing activities are subject to our Comprehensive Risk Management Policy, a Delegation of Authority policy and their supporting policies and procedures, which establish limits in order to manage risk and mitigate financial exposure.

Our commodity derivatives can be comprised of swaps, futures contracts and forward contracts of crude oil, natural gas and natural gas liquids. These are defined as follows:

Swaps – OTC transactions where a floating price, basis or index is exchanged for a fixed (or a different floating) price, basis or index at a preset schedule in the future, according to an agreed-upon formula.

Futures contracts – Exchange traded contracts to buy or sell a commodity. These contracts are standardized by the exchange in terms of quality, quantity, delivery period and location for each commodity.

Forward contracts – OTC contracts to buy or sell a commodity at an agreed upon future date. The buyer and seller agree on specific terms (price, quantity, delivery period and location) and conditions at the inception of the contract.

The following table sets forth the notional quantities for derivative instruments entered into (in thousands of barrels):

	Year Ended December 31,		
	2017	2016	2015
Sales	12,979	33,694	23,228
Purchases	13,430	33,819	22,946

We have not designated any of our commodity derivative instruments as accounting hedges. We have recorded the fair value of our commodity derivative instruments on our consolidated balance sheets in "other current assets" and "other current liabilities" in the following amounts (in thousands):

December 31, 2017		December 31, 2016	
Other Current Assets	Other Current Liabilities	Other Current Assets	Other Current Liabilities
$ —	$ 1,368	$ —	$ 1,328

12. FINANCIAL INSTRUMENTS AND CONCENTRATIONS OF RISK, Continued

We have posted margin deposits as collateral with brokers who have the right of set off associated with these funds. Our margin deposit balances were $1.9 million and $3.6 million at December 31, 2017 and 2016, respectively. These margin account balances have not been offset against our net commodity derivative instrument (contract) positions. Had these margin account balances been netted against our net commodity derivative instrument (contract) positions as of December 31, 2017 and 2016, we would have had net asset positions of $0.5 million and $2.3 million, respectively.

Realized and unrealized gains (losses) from our commodity derivatives were recorded to product revenue in the following amounts (in thousands):

	Year Ended December 31,		
	2017	2016	2015
Realized and unrealized gain (loss)	$ (2,193)	$ (4,485)	$ 8,146

Interest rate swaps

In conjunction with the HFOTCO acquisition (Note 5), we acquired HFOTCO's interest rate swaps. The swaps allow us to limit exposure to interest rate fluctuations. The swaps only apply to a portion of our outstanding debt and provide only partial mitigation of interest rate fluctuations. We have not designated the swaps as hedges, as such changes in the fair value of the swaps are recorded through current period earnings as a component of interest expense. At December 31, 2017, we had interest rate swaps with notional values of $491.1 million. At December 31, 2017, the fair value of our interest rate swaps was $1.2 million, which was reported within "other noncurrent liabilities" in our condensed consolidated balance sheet. For the year ended December 31, 2017, we recognized realized and unrealized gains of $1.1 million related to interest rate swaps.

Foreign currency forwards

In the fourth quarter of 2017, we entered into foreign currency forwards to purchase Canadian dollars to limit exposure to foreign currency rate fluctuations for capital contributions to our Canadian operations. We have not designated the forwards as hedges, as such changes in the fair value of the forwards are recorded through current period earnings as a component of foreign currency translation gain/loss. At December 31, 2017, we had foreign currency forwards with notional values of $197.7 million. At December 31, 2017, the fair value of our foreign currency swaps was $2.6 million which is reported within "other current assets" and "other noncurrent assets, net" in our consolidated balance sheet. For the year ended December 31, 2017, we recognized realized and unrealized gains of $2.8 million related to foreign currency forwards.

Concentrations of risk

During the year ended December 31, 2017, one customer primarily of our Crude Supply and Logistics segment accounted for more than 10% of our consolidated revenue with revenues of $646.1 million. No suppliers accounted for more than 10% of our costs of products sold. At December 31, 2017, one customer, primarily of our Crude Supply and Logistics segment, accounted for approximately 29% of our consolidated accounts receivable.

Our SemGas segment has a significant concentration of producers which account for a large portion of our SemGas segment's volumes. During the year ended December 31, 2017, two producers accounted for approximately 88% of our total processed volumes. During the year ended December 31, 2017, two producers accounted for 91% of our total gathered volumes. Additionally, all of the processing and gathering volumes from these customers are produced in the Northern Oklahoma region.

Our SemCAMS processing plants require a minimum rate of sulfur tonnage to operate, and to comply with the regulatory requirements for air emissions. We have several large producers that provide significant sour gas to our plants. If these producers shut in their sour gas production due to low commodity prices, it could result in regulatory non-compliance, as well as operating and financial impacts to SemCAMS.

Assets and liabilities of subsidiaries outside the United States

The following table summarizes the assets and liabilities (excluding affiliate balances) at December 31, 2017 of our subsidiaries outside the United States (in thousands):

SEMGROUP CORPORATION
Notes to Consolidated Financial Statements

12. FINANCIAL INSTRUMENTS AND CONCENTRATIONS OF RISK, Continued

	Canada	United Kingdom	Mexico	Total
Cash and cash equivalents	$ 33,601	$ 13,185	$ 9,581	$ 56,367
Other current assets	62,790	3,150	35,044	100,984
Noncurrent assets	427,259	136,800	42,272	606,331
Total assets	$ 523,650	$ 153,135	$ 86,897	$ 763,682
Current liabilities	$ 64,056	$ 4,410	$ 19,574	$ 88,040
Noncurrent liabilities	71,309	13,016	716	85,041
Total liabilities	135,365	17,426	20,290	173,081
Net assets	$ 388,285	$ 135,709	$ 66,607	$ 590,601

The write-down to net realizable value for Mexican and U.K. assets and liabilities held-for-sale (Note 4) has not been allocated to the balances disclosed in the table above.

Employees

At December 31, 2017, we had approximately 1,220 employees, including approximately 550 employees outside the U.S. Approximately 125 of the employees in Canada and Mexico are represented by labor unions and are subject to collective bargaining agreements governing their employment with us. Of that number, approximately 70 employees have collective bargaining agreements that renew annually and 55 have collective bargaining agreements that expire in January 2019. We have never had a labor related work stoppage and believe our employee relations are good.

13. INCOME TAXES

Income tax expense (benefit)

Our consolidated income from continuing operations before income taxes was generated in the following jurisdictions (in thousands):

	Year Ended December 31,		
	2017	2016	2015
U.S.	$ (64,423)	$ (766)	$ 46,728
Foreign	44,885	25,297	29,618
Consolidated	$ (19,538)	$ 24,531	$ 76,346

13. INCOME TAXES, Continued

The following table summarizes income tax provision (benefit) from continuing operations by jurisdiction (in thousands):

	Year Ended December 31,		
	2017	2016	2015
Current income tax provision:			
Foreign	$ 7,058	$ 2,821	$ 4,301
U.S. federal	—	—	—
U.S. state	383	—	32
	7,441	2,821	4,333
Deferred income tax provision (benefit):			
Foreign	5,318	4,071	4,747
U.S. federal	(15,379)	5,142	21,865
U.S. state	232	(766)	2,585
	(9,829)	8,447	29,197
Provision (benefit) for income taxes	$ (2,388)	$ 11,268	$ 33,530

The following table reconciles income tax provision at the U.S. federal statutory rate to the consolidated provision (benefit) for income taxes (in thousands):

	Year Ended December 31,		
	2017	2016	2015
Income from continuing operations before income taxes	$ (19,538)	$ 24,531	$ 76,346
U.S. federal statutory rate	35%	35%	35%
Provision at statutory rate	(6,838)	8,586	26,721
State income taxes—net of federal benefit	401	(498)	1,701
Effect of rates other than statutory	(3,842)	(1,966)	(2,306)
Effect of U.S. taxation on foreign branches	15,710	8,854	10,366
Foreign tax adjustment, prior years	—	—	7
Noncontrolling interest	—	(3,908)	(4,373)
Foreign tax credit and offset to branch deferreds	45,245	(6,026)	(1,740)
Effect of U.S. deduction of foreign tax	(7,514)	—	—
Impact of valuation allowance on deferred tax assets	(65,327)	6,026	1,740
Foreign withholding taxes	858	18	6
Stock-based compensation	1,351	—	—
Effect of U.S. federal statutory rate reduction	17,638 —	—	—
Other, net	(70)	182	1,408
Provision (benefit) for income taxes	$ (2,388)	$ 11,268	$ 33,530

For the years ended December 31, 2017, 2016 and 2015, the foreign subsidiaries are disregarded entities for U.S. federal income tax purposes. The foreign earnings are taxed in foreign jurisdictions as well as in the U.S. Foreign tax credits, subject to limitations, or foreign tax deductions are available to reduce U.S. taxes. The decision to deduct foreign taxes or claim the foreign tax credit is made with respect to each tax period.

On December 22, 2017, the "Tax Cuts and Jobs Act", H.R. 1 ("Act") was signed into law. The Act provides for a permanent reduction in the U.S. federal statutory rate from 35% to 21% effective January 1, 2018. Under ASC 740, Income Taxes, the effects of the law change are recorded in the period of enactment. The deferred positions of the Company at December 31, 2017, have been remeasured at the lower tax rate, resulting in a discrete deferred tax expense for the period of $17.6 million. There is a discrete expense of $1.4 million related to the vesting of restricted stock

13. INCOME TAXES, Continued

during the period and a discrete tax benefit of $27.6 million related to a change of position to deduct foreign taxes in lieu of claiming a foreign tax credit for the tax years 2014 through 2016. The foreign tax credit for these years was previously offset by a full valuation allowance and, accordingly, there is no net tax expense or balance sheet impact from their reversal. The discrete benefit arises from recognition of the increase in our net operating loss carryforward resulting from the deduction of foreign taxes.

Deferred tax positions

Deferred income taxes reflect the effects of temporary differences between the amounts of assets and liabilities recognized for financial reporting purposes and the amounts recognized for income tax purposes. Significant components of deferred tax assets and liabilities are as follows at December 31, 2017 and 2016 (in thousands):

	December 31, 2017	December 31, 2016
Deferred tax assets:		
Net operating loss and other credit carryforwards	$ 44,867	$ 58,129
Compensation and benefits	7,156	9,411
Inventories	322	231
Intangible assets	16,714	34,573
Pension plan	1,760	4,811
Allowance for doubtful accounts	956	971
Deferred revenue	4,953	4,451
Equity investment in partnerships	—	54,686
Foreign tax credit and offset to branch deferreds	56,719	110,052
Other	28,201	46,601
less: valuation allowance	(45,682)	(110,243)
Net deferred tax assets	115,966	213,673
Deferred tax liabilities:		
Intangible assets	(5,074)	(4,709)
Prepaid expenses	(1,447)	(136)
Property, plant and equipment	(108,646)	(223,325)
Equity investment in partnerships	(24,315)	—
Other	(2,402)	(4,411)
Total deferred tax liabilities	(141,884)	(232,581)
Net deferred tax liabilities	$ (25,918)	$ (18,908)

At December 31, 2017, we had a cumulative U.S. federal net operating loss of approximately $165.5 million that can be carried forward to apply against taxable income generated in future years. This carry forward begins to expire in 2031. We had cumulative U.S. state net operating losses of approximately $148.7 million available for carryforward, which begin to expire in 2018. We had foreign net operating losses of $20.9 million available for indefinite carryforward and $0.4 million that will expire in 2027. We had foreign tax credits of approximately $44.6 million available for carry forward, which begin to expire in 2020.

The valuation allowance decreased by $64.6 million during 2017. The change related to a net decrease of $65.4 million for foreign tax credits and offset to branch deferreds, an increase of $0.1 million related to foreign net operating losses and an increase of $0.7 million related to state net operating losses.

We have a valuation allowance on a small portion of our state net operating loss carryovers with shorter carryover periods and our foreign tax credit carryover. We have not released the valuation allowance on the foreign tax credits due to the foreign tax credit limitation and the relative subjectivity of forecasts of the relational magnitude of U.S. and foreign taxable income in future periods, as well as the shorter carryover period available for the credits. Deferred tax

13. INCOME TAXES, Continued

assets are reduced by a valuation allowance when a determination is made that it is more likely than not that some, or all, of the deferred tax assets will not be realized based on the weight of all available evidence. Evidence which is objectively verifiable carries a higher weight in the analysis. The ultimate realization of deferred tax assets is dependent upon the existence of sufficient taxable income of the appropriate character within the carryback and carryforward period available under the tax law. Sources of taxable income include future reversals of existing taxable temporary differences, future earnings and available tax planning strategies.

We have analyzed filing positions in all of the federal, state and foreign jurisdictions where we are required to file income tax returns and determined that no accruals related to uncertainty in tax positions are required. All income tax years of the Company ending after the emergence from bankruptcy remain open for examination in U.S. jurisdictions under general operation of the statute of limitations, including special provisions with regard to net operating loss carryovers. In foreign jurisdictions, all tax periods prior to the emergence from bankruptcy are closed. The statute of limitations has not been waived with respect to any foreign jurisdictions post emergence and tax periods are open for examination in accordance with the general statutes of each foreign jurisdiction. Currently, there are no examinations in progress for our federal and state jurisdictions. Canada Revenue Agency has initiated an income tax audit of SemCAMS ULC for the tax years 2013 through 2015. No other foreign jurisdictions are currently under audit.

14. LONG-TERM DEBT

Our long-term debt consisted of the following (dollars in thousands):

	Interest rate at December 31, 2017	December 31, 2017	December 31, 2016
Senior unsecured notes due 2021	7.500%	$ —	$ 300,000
Senior unsecured notes due 2022	5.625%	400,000	400,000
Senior unsecured notes due 2023	5.625%	350,000	350,000
Senior unsecured notes due 2025	6.375%	325,000	—
Senior unsecured notes due 2026	7.250%	300,000	—
SemGroup $1.0 billion corporate revolving credit facility (1)			
Alternate base rate borrowings	6.000%	—	20,000
Eurodollar borrowings	3.857%	131,000	—
Second Payment (2)	8.000%	565,868	—
HFOTCO term loan B (3)	5.190%	532,125	—
HFOTCO tax exempt notes payable due 2050	2.353%	225,000	—
HFOTCO $75 million revolving credit facility (4)	4.940%	60,000	—
SemMexico revolving credit facility (5)	9.124%	—	—
Capital leases		25	51
Unamortized premium (discount) and debt issuance costs, net		(30,398)	(19,107)
Total long-term debt, net		2,858,620	1,050,944
Less: current portion of long-term debt		5,525	26
Noncurrent portion of long-term debt, net		$ 2,853,095	$ 1,050,918

(1) SemGroup $1.0 billion corporate revolving credit facility matures on May 15, 2021.
(2) Second Payment discounted to fair value based on expected timing of payments and an 8% discount rate. See Note 5 for additional information.
(3) HFOTCO term loan B is due in quarterly installments of $1.4 million, with a final payment due on August 19, 2021.
(4) HFOTCO $75 million revolving credit facility matures on August 19, 2019.
(5) SemMexico revolving credit facility has a borrowing capacity of $70 million pesos ($3.6 million USD at the December 31, 2017 exchange rate).

14. LONG-TERM DEBT, Continued

Early extinguishment of senior unsecured notes due 2021

On March 15, 2017, we purchased $290 million of our outstanding $300 million, 7.50% senior unsecured notes due 2021 (the “2021 Notes”) through a tender offer. The purchase price included a premium and interest to the purchase date. On March 17, 2017, a notice of redemption was issued for the remaining $10 million of the 2021 Notes which were not purchased through the tender offer pursuant to the redemption and satisfaction and discharge provisions of the indenture governing the 2021 Notes. These remaining 2021 Notes were redeemed on June 15, 2017, including a redemption premium and accrued unpaid interest to the redemption date. We recorded a loss on early extinguishment of $19.9 million for the above transactions, which included premiums totaling $15.9 million and the write off of $3.6 million of associated unamortized debt issuance costs.

Issuance of senior unsecured notes due 2025 and 2026

On March 15, 2017, we sold $325 million of 6.375% senior unsecured notes due 2025 (the “2025 Notes”). The 2025 Notes were sold at 98.467% of par, a discount of $5.0 million. The discount is reported as a reduction to the face value of the 2025 Notes on our condensed consolidated balance sheets and is being amortized over the life of the 2025 Notes using the interest method.

The net proceeds from the offering of $315.1 million, after the discount and $4.9 million of initial purchasers’ fees and offering expenses, together with cash on hand, were used to purchase and redeem the 2021 Notes.

On September 20, 2017, we sold $300 million of 7.25% senior unsecured notes due 2026 (the “2026 Notes”). The 2026 Notes were sold at 98.453% of par, a discount of $4.6 million. The discount is reported as a reduction to the face value of the 2026 Notes on our condensed consolidated balance sheets and is being amortized over the life of the 2026 Notes using the interest method.

The net proceeds from the offering of $290.3 million, after the discount and $5.1 million of initial purchasers’ fees and offering expenses, were used to repay amounts borrowed under our revolving credit facility.

Senior unsecured notes

Our senior unsecured notes (collectively, the "Notes") are guaranteed by certain of our subsidiaries: Rose Rock Finance Corporation, Rose Rock Midstream Operating, LLC, Rose Rock Midstream Energy GP, LLC, Rose Rock Midstream Crude, L.P., Rose Rock Midstream Field Services, LLC, SemGas, L.P., SemMaterials, L.P., SemGroup Europe Holding, L.L.C., SemOperating G.P., L.L.C., SemMexico, L.L.C., SemDevelopment, L.L.C., Mid-America Midstream Gas Services, L.L.C., SemCrude Pipeline, L.L.C., Wattenberg Holding, LLC and Glass Mountain Holding, LLC (collectively, the "Guarantors"). The guarantees of the Notes are full and unconditional and constitute the joint and several obligations of the Guarantors.

The Notes are governed by indentures, as supplemented, between the Company and its subsidiary Guarantors and Wilmington Trust, N.A., as trustee (the “Indentures”). The Indentures include customary covenants, including limitations on our ability to incur additional indebtedness or issue certain preferred shares; pay dividends and make certain distributions, investments and other restricted payments; create certain liens; sell assets; enter into transactions with affiliates; enter into sale and lease-back transactions; merge, consolidate, sell or otherwise dispose of all or substantially all of our assets; and designate our subsidiaries as unrestricted under the Indentures.

The Indentures include customary events of default, including events of default relating to non-payment of principal and other amounts owing from time to time, failure to provide required reports, failure to comply with agreements in the Indentures, cross payment-defaults to any material indebtedness, bankruptcy and insolvency events, certain unsatisfied judgments, and invalidation or cessation of the subsidiary guarantee of a significant subsidiary. A default would permit holders to declare the Notes and accrued interest due and payable.

The Notes are effectively subordinated in right of payment to any of our, and the Guarantors', existing and future secured indebtedness to the extent of the value of the collateral securing such indebtedness and are structurally subordinated to the obligations of any subsidiary that is not a guarantor of the Notes.

The Company may issue additional Notes under the Indentures from time to time, subject to the terms of the Indentures.

14. LONG-TERM DEBT, Continued

Except as described below, the Company may redeem the Notes, in whole or in part, at the redemption prices (expressed as percentages of principal amount) set forth below, plus accrued and unpaid interest, if redeemed during the twelve-month period beginning with each period as indicated below:

2022 Notes

From and after July 15, 2017	104.219%
From and after July 15, 2018	102.813%
From and after July 15, 2019	101.406%
From and after July 15, 2020	100.000%

2023 Notes

Not redeemable before May 15, 2019	
From and after May 15, 2019	102.813%
From and after May 15, 2020	101.406%
From and after May 15, 2021	100.000%

2025 Notes

Not redeemable before March 15, 2020	
From and after March 15, 2020	103.188%
From and after March 15, 2021	101.594%
From and after March 15, 2022	100.000%

2026 Notes

Not redeemable before March 15, 2021	
From and after March 15, 2021	103.625%
From and after March 15, 2022	101.813%
From and after March 15, 2023	100.000%

Prior to the redemption dates set forth above, the Company may, at its option, on one or more occasions, redeem up to 35% of the sum of the original aggregate principal amount of the Notes at a redemption price equal to the aggregate principal amount thereof plus a premium equal to stated interest rate of the Notes, plus accrued and unpaid interest, with the net cash proceeds of one or more equity offerings of the Company, subject to certain conditions.

Prior to the redemption dates set forth above, the Company may also redeem all or part of the Notes at a price equal to the principal plus a premium equal to the greater of 1% of the principal or the excess of the present value of the first redemption price from the table above plus all required interest payments due through the first redemption date in the table above, computed using a discount rate based on a published United States Treasury Rate plus 50 basis points, over the principal value of such Note.

In the event of a change of control, the Company is required to offer to repurchase the Notes at an amount equal to 101% of the principal plus accrued and unpaid interest.

Registration rights agreements

In connection with the closing of the offerings of the 2025 Notes and 2026 Notes, the Company and the Guarantors entered into registration rights agreements (the "Registration Rights Agreements"). Under the Registration Rights Agreements, the Company and the Guarantors have agreed to file registration statements with the Securities and Exchange Commission so that holders of such Notes can exchange such Notes and the related guarantees for registered notes and guarantees that have substantially identical terms as such Notes and related guarantees, within 365 days after

14. LONG-TERM DEBT, Continued

the original issuance. In certain circumstances, the Company and the Guarantors may be required to file shelf registration statements to cover resales of such Notes. These registration statements were declared effective in January 2018.

Pledges and guarantees

Our senior unsecured notes are guaranteed by certain subsidiaries. See Note 24 for additional information.

Our $1.0 billion corporate revolving credit facility is guaranteed by all of SemGroup's material domestic subsidiaries, with the exception of Maurepas Pipeline LLC and HFOTCO, and secured by a lien on substantially all of the property and assets of SemGroup Corporation and the other loan parties, subject to customary exceptions.

The HFOTCO term loan B, HFOTCO tax exempt notes payable and HFOTCO $75 million revolving credit facility are secured by substantially all of the assets of HFOTCO and its immediate parent, Buffalo Gulf Coast Terminals LLC. The HFOTCO tax exempt notes payable have a priority position over the HFOTCO term loan B and HFOTCO revolving credit facility.

Covenants and restrictions

The SemGroup credit agreement includes customary affirmative and negative covenants, including limitations on the creation of new indebtedness, liens, sale and lease-back transactions, new investments, making fundamental changes including mergers and consolidations, making of dividends and other distributions, making material changes in our business, modifying certain documents and maintenance of a consolidated leverage ratio and an interest coverage ratio. In addition, the credit agreement prohibits any commodity transactions that are not permitted by our Risk Governance Policies.

The terms of the SemGroup credit facility restrict, to some extent, the payment of cash dividends on our common stock. The credit agreement is guaranteed by all of our material domestic subsidiaries, with the exception of HFOTCO, and secured by a lien on substantially all of our property and assets, subject to customary exceptions.

The agreement governing HFOTCO senior secured term loans or senior secured revolver borrowings (the "HFOTCO Credit Agreement") includes customary representations and warranties and affirmative and negative covenants, which were made only for the purposes of the HFOTCO Credit Agreement and as of the specific date (or dates) set forth therein, and may be subject to certain limitations as agreed upon by the contracting parties, and apply only to Buffalo Gulf Coast Terminals LLC ("BGCT"), HFOTCO and any subsidiaries of HFOTCO party to the HFOTCO Credit Agreement. Such limitations include the creation of new liens, indebtedness, making of certain restricted payments and payments on indebtedness, making certain dispositions, making material changes in business activities, making fundamental changes including liquidations, mergers or consolidations, making certain investments, entering into certain transactions with affiliates, making amendments to material agreements, modifying the fiscal year, dealing with hazardous materials in certain ways, entering into certain hedging arrangements, entering into certain restrictive agreements, and funding or engaging in sanctioned activities.

In addition, the HFOTCO Credit Agreement contains a financial performance covenant as follows (the "HFOTCO Financial Covenant"): if the aggregate revolving exposure exceeds 25% of the HFOTCO Revolving Commitments, the total adjusted net leverage ratio of BGCT and its restricted subsidiaries under the HFOTCO Credit Agreement may not exceed 7.50 to 1.00 as of the last day of any fiscal quarter. The financial performance covenant is solely for the benefit of the lenders holding HFOTCO Revolving Commitments or HFOTCO Revolving Loans.

The indentures covering HFOTCO's tax exempt notes payable due 2050 ("IKE Bonds") are subject to the Continuing Covenant Agreement. The Continuing Covenant Agreement includes customary representations and warranties and affirmative and negative covenants, which were made only for the purposes of the Continuing Covenant Agreement and as of the specific date (or dates) set forth therein, may be subject to certain limitations as agreed upon by the contracting parties, and apply only to BGCT, HFOTCO and any subsidiaries of HFOTCO party to the Continuing Covenant Agreement. Such covenants include limitations on the creation of new liens, indebtedness, making of certain restricted payments and payments on indebtedness, making certain dispositions, making material changes in business activities, making fundamental changes including liquidations, mergers or consolidations, making certain investments, entering into certain transactions with affiliates, making amendments to certain credit or organizational agreements, modifying the fiscal year, creating or dealing with hazardous materials in certain ways, entering into certain hedging arrangements, entering into certain restrictive agreements, funding or engaging in sanctioned activities, taking actions or causing the trustee to take actions that materially adversely affect the rights, interests, remedies or security of the bondholders, taking

14. LONG-TERM DEBT, Continued

actions to remove the trustee, making certain amendments to the bond documents, and taking actions or omitting to take actions that adversely impact the tax-exempt status of the IKE Bonds.

In addition, the Continuing Covenant Agreement contains financial performance covenants as follows:

- the super senior leverage ratio of BGCT and its restricted subsidiaries under the Continuing Covenant Agreement may not exceed 3.50 to 1.00 as of the last day of any fiscal quarter; and
- the interest coverage ratio of BGCT and its restricted subsidiaries under the Continuing Covenant Agreement may not be less than 2.00 to 1.00 as of the last day of any fiscal quarter.

In addition, the terms of certain HFOTCO related indebtedness restrict its ability to pay dividends and make other contributions to SemGroup. The restricted net assets of HFOTCO were $1.1 billion as of December 31, 2017.

See "senior unsecured notes" section above for discussion of covenants and restrictions related to the Notes.

Letters of credit

We had the following outstanding letters of credit at December 31, 2017 (dollars in thousands):

SemGroup $1.0 billion revolving credit facility	2.50%	$	39,385
Secured bi-lateral (1)	1.75%	$	56,525
SemMexico (2)	0.28%	$	14,870

(1) Secured bi-lateral letters of credit are external to the SemGroup $1.0 billion revolving credit facility and do not reduce availability for borrowing on the credit facility.
(2) $292.8 million Mexican pesos at the December 31, 2017 exchange rate.

Scheduled principal payments

The following table summarizes the scheduled principal payments as of December 31, 2017 (in thousands):

	Total
For the year ended:	
December 31, 2018	$ 605,525
December 31, 2019	65,500
December 31, 2020	5,500
December 31, 2021	646,625
December 31, 2022	400,000
Thereafter	1,200,000
Total	$ 2,923,150

In the table above, 2018 includes the Second Payment at the amount that would be required to be paid on December 31, 2018. The payment is expected to be made in 2018, but isn't reflected as current on the balance sheet as payment is not contractually required until after December 31, 2018. The amount paid will vary depending upon the timing of the payment.

Fair value

We estimate the fair value of the Notes based on unadjusted, transacted market prices near the measurement date. Our other long-term debts are estimated to be carried at fair value as a result of the recent timing of borrowings or acquisition. We estimate the fair value of our consolidated long-term debt, including current maturities, to be approximately $2.9 billion at December 31, 2017, which is categorized as a Level 3 measurement due to certain unobservable inputs used to estimate the fair value of the Second Payment.

15. COMMITMENTS AND CONTINGENCIES

Environmental

We may, from time to time, experience leaks of petroleum products from our facilities and, as a result of which, we may incur remediation obligations or property damage claims. In addition, we are subject to numerous environmental regulations. Failure to comply with these regulations could result in the assessment of fines or penalties by regulatory authorities.

The Kansas Department of Health and Environment ("the KDHE") initiated discussions during our bankruptcy proceeding regarding six of our sites in Kansas (five owned by Crude Transportation and one owned by SemGas) that KDHE believed, based on their historical use, may have had soil or groundwater contamination in excess of state standards. KDHE sought our agreement to undertake assessments of these sites to determine whether they are contaminated. We reached an agreement with KDHE on this matter and entered into a Consent Agreement and Final Order with KDHE to conduct environmental assessments on the sites and to pay KDHE's costs associated with their oversight of this matter. We have conducted Phase II investigations at all sites. Four sites are in various stages of follow up investigation, remediation, monitoring, or closure under KDHE oversight. The environmental work at these sites is being completed under consent orders between Rose Rock Midstream Crude, L.P. and the KDHE. Two of the remaining sites have limited impacts to shallow soil and groundwater and the groundwater is currently being monitored on a semi-annual basis until such time that closure can be granted by the KDHE. No active remediation is anticipated for these two sites. The final two sites have required additional investigation and soil and groundwater remediation may be necessary to achieve KDHE closure. We do not anticipate any penalties or fines for these historical sites.

Other matters

We are party to various other claims, legal actions, and complaints arising in the ordinary course of business. In the opinion of our management, the ultimate resolution of these claims, legal actions, and complaints, after consideration of amounts accrued, insurance coverage, and other arrangements, will not have a material adverse effect on our consolidated financial position, results of operations or cash flows. However, the outcome of such matters is inherently uncertain, and estimates of our consolidated liabilities may change materially as circumstances develop.

Asset retirement obligations

We will be required to incur significant removal and restoration costs when we retire our natural gas gathering and processing facilities in Canada. We have recorded a liability associated with these obligations, which is reported within other noncurrent liabilities on the consolidated balance sheets. The following table summarizes the changes in this liability from December 31, 2014 through December 31, 2017 (in thousands):

Balance, December 31, 2014	$ 41,954
Accretion	4,748
Payments made	(511)
Revaluation	(26,000)
Currency translation adjustments	(4,245)
Balance, December 31, 2015	15,946
Accretion	2,292
Payments made	(159)
Currency translation adjustments	469
Balance, December 31, 2016	18,548
Accretion	2,812
Payments made	(160)
Currency translation adjustments	1,404
Balance, December 31, 2017	$ 22,604

15. COMMITMENTS AND CONTINGENCIES, Continued

The December 31, 2017 liability was calculated using the $132.5 million cost we estimate we would incur to retire these facilities, discounted based on our risk-adjusted cost of borrowing and the estimated timing of remediation. An additional $19.7 million of estimated costs are attributable to third-party owners' proportionate share of the obligations. If an owner fails to perform on its obligations, the other owners (including SemGroup) could be obligated to bear that party's share of the remediation costs.

The calculation of the liability for an asset retirement obligation requires the use of significant estimates, including those related to the length of time before the assets will be retired, cost inflation over the assumed life of the assets, actual remediation activities to be required and the rate at which such obligations should be discounted. Future changes in these estimates could result in material changes in the value of the recorded liability. In addition, future changes in laws or regulations could require us to record additional asset retirement obligations. During the year ended December 31, 2015, we completed a re-evaluation of our asset retirement obligations and recorded reductions to the liability and offsetting asset of $26.0 million. The reduction was largely due to a change in the estimated timing of the retirement of these facilities.

Our other segments may also be subject to removal and restoration costs upon retirement of their facilities. However, we are unable to predict when, or if, our pipelines, storage tanks and other facilities would become completely obsolete and require decommissioning. Accordingly, we have not recorded a liability or corresponding asset, as both the amount and timing of such potential future costs are indeterminable.

Operating leases

We have entered into operating lease agreements for office space, office equipment, land and vehicles. Future minimum payments required under operating leases that have initial or remaining non-cancellable lease terms in excess of one year at December 31, 2017, are as follows (in thousands):

For year ending:		
December 31, 2018	$	6,750
December 31, 2019		7,174
December 31, 2020		6,409
December 31, 2021		5,896
December 31, 2022		4,376
Thereafter		60,790
Total future minimum lease payments	$	91,395

We recorded lease and rental expenses of $15.4 million, $15.0 million and $15.5 million for the years ended December 31, 2017, 2016 and 2015, respectively.

Purchase and sale commitments

We routinely enter into agreements to purchase and sell petroleum products at specified future dates. We account for these commitments as normal purchases and sales, therefore, we do not record assets or liabilities related to these agreements until the product is purchased or sold. At December 31, 2017, such commitments included the following (in thousands):

	Volume (barrels)		Value
Fixed price purchases	1,461	$	83,545
Fixed price sales	3,148	$	178,629
Floating price purchases	10,915	$	641,934
Floating price sales	12,152	$	574,335

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15. COMMITMENTS AND CONTINGENCIES, Continued

Certain of the commitments shown in the table above relate to agreements to purchase product from a counterparty and to sell a similar amount of product (in a different location) to the same counterparty. Many of the commitments shown in the table above are cancellable by either party, as long as notice is given within the time frame specified in the agreement (generally 30 to 120 days).

Our SemGas segment has a take or pay contractual obligation related to the fractionation of natural gas liquids through June 2023. At December 31, 2017, the approximate amount of future obligations is as follows (in thousands):

For year ending:		
December 31, 2018	$	10,552
December 31, 2019		9,567
December 31, 2020		8,864
December 31, 2021		7,175
December 31, 2022		6,753
Thereafter		2,791
Total expected future payments	$	45,702

SemGas also enters into contracts under which we are responsible for marketing the majority of the gas and natural gas liquids produced by the counterparties to the agreements. The majority of SemGas' revenues were generated from such contracts.

Our Crude Supply and Logistics segment has minimum volume commitments for pipeline transportation of crude oil. At December 31, 2017, the approximate amount of future obligations is as follows (in thousands):

For year ending:		
December 31, 2018	$	21,631
December 31, 2019		21,877
December 31, 2020		20,585
December 31, 2021		12,976
December 31, 2022		13,231
Thereafter		20,312
Total expected future payments	$	110,612

Capital expenditures

We have commitments to spend approximately $206 million and $53 million in 2018 and 2019, respectively, related to property, plant and equipment.

16. EQUITY

Common stock

The par value of common stock reflected on the consolidated balance sheet at December 31, 2017 is summarized below:

16. EQUITY, Continued

	Class A
Shares accounted for at December 31, 2014	43,614,054
Issuance of shares under employee and director compensation programs(1)	184,803
Shares issued under employee stock purchase plan	24,882
Shares accounted for at December 31, 2015	43,823,739
Issuance of common shares in public offering	8,625,000
Shares issued for Merger	13,140,020
Issuance of shares under employee and director compensation programs(1)	170,772
Shares issued under employee stock purchase plan	46,836
Shares accounted for at December 31, 2016	65,806,367
Shares issued for HFOTCO acquisition	12,383,900
Issuance of shares under employee and director compensation programs(1)	149,961
Shares issued under employee stock purchase plan	39,545
Shares accounted for at December 31, 2017(2)	78,379,773

(1) Of these vested shares, recipients sold back to the Company 42,347, 46,941 and 62,291 shares during the years ended December 31, 2017, 2016 and 2015, respectively, to satisfy tax withholding obligations. These repurchased shares are being recognized at cost as treasury stock on the consolidated balance sheet.

(2) In addition to the shares in the table above, there are shares of unvested restricted stock outstanding which are considered legally issued and outstanding and have been included in the number of shares presented on the consolidated balance sheets. The par value of unvested restricted stock has not yet been reflected in common stock on the consolidated balance sheet, as these shares have not yet vested and could be forfeited. There are also shares of restricted stock that were returned to treasury upon forfeiture. The par value of these shares is not reflected in the consolidated balance sheet, as no accounting recognition is given to forfeited shares.

The common stock includes Class A and Class B stock. Class A stock is eligible to be listed on an exchange, whereas Class B stock is not. Any share of Class B stock may be converted to Class A at the election of the holder. Both classes of stock have full voting rights. Both classes of stock have a par value of $0.01 per share. No Class B stock is currently issued. The total number of shares authorized for issuance is 90,000,000 shares of Class A stock and 10,000,000 shares of Class B stock.

On May 17, 2017, our stockholders voted to approve an amendment to the Company's Amended and Restated Certificate of Incorporation to authorize 4,000,000 shares of preferred stock. See below for issuance of preferred stock subsequent to December 31, 2017.

Equity issuances

On June 22, 2016, we issued and sold 8,625,000 shares of our Class A common stock, valued at $27.00 per share, to the public for proceeds of $228.5 million, net of underwriting fees and other offering costs of $4.3 million. Proceeds were used to repay borrowings on our revolving credit facility and for capital expenditures and general corporate purposes.

On September 30, 2016, we completed the Merger with Rose Rock. We issued 13.1 million common shares in exchange for the outstanding common limited partner units of Rose Rock which we did not already own. Issuance costs of $5.3 million were recorded as a reduction to additional paid in capital. In addition, we recorded a reduction to our deferred tax liabilities and offsetting increase to additional paid-in capital of $143.3 million associated with the transaction. This non-cash adjustment represents the deferred tax impact of the difference between the book value of the noncontrolling interests acquired and the tax basis which is stepped-up to the fair market value of the consideration which includes the common shares issued and the assumption of liabilities associated with the noncontrolling interests. See Note 5 for further information on the Merger.

On July 17, 2017, we completed the acquisition of HFOTCO. We issued 12.4 million common shares with an acquisition date fair value of $330 million, based on $26.68 per common share market price at issuance. See Note 5 for further information on the acquisition.

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16. EQUITY, Continued

On January 19, 2018, we issued and sold 350,000 shares of 7% Series A Convertible Preferred Stock (the "Preferred Shares"), par value of $.01 per share, in a private placement for proceeds of $342.5 million, net of fees and other offering costs of $7.5 million. The Preferred Shares are convertible into our Class A common stock based on a conversion price of $33.00 per share after 18 months, at the purchasers' option, and after three years at our option, subject to certain conditions. The Preferred Shares will pay quarterly dividends which, at SemGroup's option, may be paid by having the amount that would have been payable if such dividend had been paid in cash added to the liquidation preference in respect of any fiscal quarter ending on or prior to June 30, 2020. Holders of the Preferred Shares ("Holders") are entitled to the same voting rights as those of the holders of our Class A common stock. Each Holder shall be entitled to a number of votes equal to the number of votes such Holder would have had if all shares of Preferred Stock held by such Holder had been converted into shares of our Class A common stock.

Dividends

The following table sets forth the quarterly dividends per share declared and paid to shareholders for the periods indicated:

Quarter Ending	Dividend Per Share		Date of Record	Date Paid
March 31, 2015	$	0.34	March 9, 2015	March 20, 2015
June 30, 2015	$	0.38	May 18, 2015	May 29, 2015
September 30, 2015	$	0.42	August 17, 2015	August 25, 2015
December 31, 2015	$	0.45	November 16, 2015	November 24, 2015
March 31, 2016	$	0.45	March 7, 2016	March 17, 2016
June 30, 2016	$	0.45	May 16, 2016	May 26, 2016
September 30, 2016	$	0.45	August 15, 2016	August 25, 2016
December 31, 2016	$	0.45	November 18, 2016	November 28, 2016
March 31, 2017	$	0.45	March 7, 2017	March 17, 2017
June 30, 2017	$	0.45	May 15, 2017	May 26, 2017
September 30, 2017	$	0.45	August 18, 2017	August 28, 2017
December 31, 2107	$	0.45	November 20, 2017	December 1, 2017
March 31, 2018	$	0.4725	March 9, 2018	March 19, 2018

Rose Rock Midstream, L.P.

The following table shows the distributions paid by Rose Rock Midstream, L.P., prior to the Merger, related to the earnings for each of the following periods (in thousands, except for per unit amounts):

16. **EQUITY,** Continued

		Distributions Paid					
		SemGroup					
Quarter Ended	Distribution Per Unit	General Partner	Incentive Distributions	Common Units	Subordinated Units	Noncontrolling Interest Common Units	Total Distributions
December 31, 2014	$ 0.6200	$ 485	$ 3,487	$ 6,551	$ 5,202	$ 8,544	$ 24,269
March 31, 2015	$ 0.6350	$ 568	$ 4,450	$ 13,148	$ —	$ 10,213	$ 28,379
June 30, 2015	$ 0.6500	$ 590	$ 4,979	$ 13,458	$ —	$ 10,456	$ 29,483
September 30, 2015	$ 0.6600	$ 604	$ 5,333	$ 13,665	$ —	$ 10,619	$ 30,221
December 31, 2015	$ 0.6600	$ 604	$ 5,333	$ 13,665	$ —	$ 10,622	$ 30,224
March 31, 2016	$ 0.6600	$ 605	$ 5,338	$ 13,665	$ —	$ 10,643	$ 30,251
June 30, 2016	$ 0.6600	$ 605	$ 5,339	$ 13,665	$ —	$ 10,648	$ 30,257

17. **EARNINGS PER SHARE**

Earnings per share is calculated based on income from continuing and discontinued operations less any income attributable to noncontrolling interests. Income attributable to noncontrolling interests represented third-party limited partner unitholders' interests in the earnings of our consolidated subsidiary, Rose Rock, prior to completion of the Merger. Rose Rock allocated net income to its limited partners based on the distributions pertaining to the current period's available cash as defined by Rose Rock's partnership agreement. After adjusting for the appropriate period's distributions, the remaining undistributed earnings or excess distributions over earnings, if any, were allocated to Rose Rock's general partner, limited partners and participating securities in accordance with the contractual terms of Rose Rock's partnership agreement and as further prescribed under the two-class method. Incentive distribution rights did not participate in undistributed earnings. Subsequent to the Merger, there is no longer a noncontrolling interest.

Basic earnings (loss) per share is calculated based on the weighted average shares outstanding during the period. Diluted earnings (loss) per share includes the dilutive effect of unvested equity compensation awards.

The following summarizes the calculation of basic earnings per share for the years ended December 31, 2017, 2016 and 2015 (in thousands, except per share amounts):

	Year Ended December 31, 2017		
	Continuing Operations	Discontinued Operations	Net
Loss	$ (17,150)	$ —	$ (17,150)
less: Income attributable to noncontrolling interest	—	—	—
Loss attributable to SemGroup	$ (17,150)	$ —	$ (17,150)
Weighted average common stock outstanding	71,418	71,418	71,418
Basic loss per share	$ (0.24)	$ 0.00	$ (0.24)

	Year Ended December 31, 2016		
	Continuing Operations	Discontinued Operations	Net
Income	$ 13,263	$ (1)	$ 13,262
less: Income attributable to noncontrolling interest	11,167	—	11,167
Income attributable to SemGroup	$ 2,096	$ (1)	$ 2,095
Weighted average common stock outstanding	51,889	51,889	51,889
Basic earnings per share	$ 0.04	$ 0.00	$ 0.04

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17. EARNINGS PER SHARE, Continued

	Year Ended December 31, 2015		
	Continuing Operations	Discontinued Operations	Net
Income	$ 42,816	$ (4)	$ 42,812
less: Income attributable to noncontrolling interest	12,492	—	12,492
Income attributable to SemGroup	$ 30,324	$ (4)	$ 30,320
Weighted average common stock outstanding	43,787	43,787	43,787
Basic earnings per share	$ 0.69	$ 0.00	$ 0.69

The following summarizes the calculation of diluted earnings per share for the years ended December 31, 2017, 2016 and 2015 (in thousands, except per share amounts):

	Year Ended December 31, 2017		
	Continuing Operations	Discontinued Operations	Net
Loss	$ (17,150)	$ —	$ (17,150)
less: Income attributable to noncontrolling interest	—	—	—
Loss attributable to SemGroup	$ (17,150)	$ —	$ (17,150)
Weighted average common stock outstanding	71,418	71,418	71,418
Effect of dilutive securities	—	—	—
Diluted weighted average common stock outstanding	71,418	71,418	71,418
Diluted loss per share	$ (0.24)	$ 0.00	$ (0.24)

	Year Ended December 31, 2016		
	Continuing Operations	Discontinued Operations	Net
Income	$ 13,263	$ (1)	$ 13,262
less: Income attributable to noncontrolling interest	11,167	—	11,167
Income attributable to SemGroup	$ 2,096	$ (1)	$ 2,095
Weighted average common stock outstanding	51,889	51,889	51,889
Effect of dilutive securities	392	392	392
Diluted weighted average common stock outstanding	52,281	52,281	52,281
Diluted earnings per share	$ 0.04	$ 0.00	$ 0.04

	Year Ended December 31, 2015		
	Continuing Operations	Discontinued Operations	Net
Income	$ 42,816	$ (4)	$ 42,812
less: Income attributable to noncontrolling interest	12,492	—	12,492
Income attributable to SemGroup	$ 30,324	$ (4)	$ 30,320
Weighted average common stock outstanding	43,787	43,787	43,787
Effect of dilutive securities	183	183	183
Diluted weighted average common stock outstanding	43,970	43,970	43,970
Diluted earnings per share	$ 0.69	$ 0.00	$ 0.69

17. EARNINGS PER SHARE, Continued

For the year ended December 31, 2017, we experienced net losses attributable to SemGroup. The unvested equity compensation awards would have been antidilutive and, therefore, were not included in the computation of diluted earnings per share.

18. EQUITY-BASED COMPENSATION

SemGroup Corporation equity awards

We have reserved a total of 3,710,220 shares of common stock for issuance pursuant to employee and director compensation programs. Awards under these programs give the recipients the right to receive shares of common stock, once specified service, performance or market related vesting conditions are met. The awards typically have a one year vesting period for non-management directors and three years for employees. The awards may be subject to accelerated vesting in the event of involuntary terminations. We record expense for these awards (and corresponding increases to additional paid-in capital) based on the grant date fair value of the awards over the vesting period. We use authorized but unissued shares to satisfy our equity-based payment obligations. Although these awards are to be settled in shares, we may elect to give participants the option of surrendering a portion of the awards, to meet statutory minimum tax withholding requirements. The activity related to these awards during the period from December 31, 2014 to December 31, 2017 is summarized below:

	Unvested Shares	Average Grant Date Fair Value	Aggregate Fair Value of Shares (in thousands)
Outstanding at December 31, 2014	449,919	$ 70.69	
Awards granted - 2015	151,789	$ 77.93	
Awards vested - 2015	(181,906)	$ 35.18	$ 6,399
Awards forfeited - 2015	(8,494)	$ 42.05	
Outstanding at December 31, 2015	411,308	$ 75.25	
Awards granted - 2016	702,309	$ 19.18	
Awards vested - 2016	(168,096)	$ 20.38	$ 3,426
Awards forfeited - 2016	(34,255)	$ 42.42	
Outstanding at December 31, 2016	911,266	$ 31.09	
Awards granted - 2017	377,766	$ 35.22	
Awards vested - 2017	(149,961)	$ 33.60	$ 5,039
Awards forfeited - 2017	(54,981)	$ 81.80	
Outstanding at December 31, 2017	1,084,090	$ 29.07	

Of the awards vested during the years ended December 31, 2017, 2016 and 2015, 42,347, 46,941 and 62,291 shares were withheld to satisfy minimum tax requirements, respectively.

Included in the awards granted for the year ended December 31, 2016, is 128,585 restricted stock awards granted in exchange for Rose Rock equity based awards which were canceled as part of the Merger transaction described in Note 5. Incremental compensation expense was not significant. Accrued unvested unit distribution rights associated with unvested Rose Rock restricted unit awards carried over to the restricted stock awards issued in the exchange.

For certain of the awards granted in 2017, 2016, and 2015, the number of shares that will vest is contingent upon our achievement of certain specified targets. Awards with performance conditions are valued based on the grant date closing price on the New York Stock Exchange based on the number of awards expected to vest. Awards with market conditions are valued using Monte Carlo simulations. The following table sets forth the assumptions used in the valuations of these awards granted in 2017, 2016 and 2015:

	2017	2016	2015
Volatility	54.2%	51.9%	26.8%
Risk-free interest rate	1.57%	0.98%	1.06%

18. EQUITY-BASED COMPENSATION, Continued

Volatility assumptions were based on historical volatility using a simple average calculation of volatility over a period equal to the vesting period of the awards. We do not expect future volatility over the term of the awards to be significantly different from historical volatility.

If we meet the specified maximum targets, approximately 505 thousand additional shares could vest.

The holders of certain restricted stock awards are entitled to equivalent dividends ("UDs") to be received upon vesting of the restricted stock awards. The UDs are subject to the same forfeiture and acceleration conditions as the associated restricted stock awards. For awards granted prior to 2013, the dividends were settled in common shares based on the market price of our Class A shares as of the close of business on the vesting date. For the year ended December 31, 2015, 1,793 shares were issued upon the vesting of these restricted stock awards, respectively. As of December 31, 2015, all awards granted prior to 2013 had vested. UDs related to restricted stock awards granted after 2013 will be settled in cash upon vesting. At December 31, 2017, the value of UDs to be settled in cash related to unvested restricted stock awards was approximately $1.9 million.

Compensation costs expensed for the years ended December 31, 2017, 2016 and 2015 were $10.1 million, $8.8 million and $9.1 million, respectively. As of December 31, 2017, there was $10.2 million of total unrecognized compensation cost related to our non-vested awards, which is expected to be recognized over a weighted-average period of 16 months.

Director retainer

For the year ended December 31, 2016, we issued 2,676 shares of common stock to a director, in lieu of an annual cash retainer. No shares were issued to directors in lieu of an annual cash retainer for the year ended December 31, 2017.

Employee stock purchase plan

Our employee stock purchase plan ("ESPP") allows eligible employees to contribute up to 10% of their base earnings toward the semi-annual purchase of our common stock, subject to an annual maximum dollar amount. The purchase price is 85% of the closing price on the last business day of the offering period. We have reserved a total of 1,000,000 shares of common stock for issuance under the ESPP. During the years ended December 31, 2017, 2016 and 2015, we issued 39,545, 46,836 and 24,882 shares, respectively, under our ESPP.

Rose Rock equity-based compensation

Prior to the Merger, certain of our employees who supported Rose Rock participated in Rose Rock's equity-based compensation program. Awards under this program generally represented awards of restricted common units representing limited partner interests of Rose Rock. Generally, the awards vested three years after the date of grant for employees and one year after the date of grant for non-management directors, contingent upon the continued service of the recipients and may have been subject to accelerated vesting in the event of involuntary terminations. Awards were valued based on the grant date closing price listed on the New York Stock Exchange. Compensation expense was recognized over the vesting period and was discounted for estimated forfeitures. Vesting of these awards diluted our ownership interest. The activity related to these awards is summarized below:

	Unvested Units	Average Grant Date Fair Value	Aggregate Fair Value of Units (in thousands)
Outstanding at December 31, 2014	102,340	$ 33.79	
Awards granted - 2015	36,527	$ 39.03	
Awards vested - 2015	(38,366)	$ 27.54	$ 1,057
Awards forfeited - 2015	(310)	$ 42.80	
Outstanding at December 31, 2015	100,191	$ 38.70	
Awards granted - 2016	117,204	$ 9.62	
Awards vested - 2016	(57,458)	$ 11.58	$ 665
Awards forfeited - 2016	(1,846)	$ 26.55	
Awards converted to SemGroup awards	(158,091)	$ 19.57	
Outstanding at December 31, 2016	—	$ —	

18. EQUITY-BASED COMPENSATION, Continued

Of the awards vested during the years ended December 31, 2016 and 2015, 254 and 12,892, respectively, were withheld to satisfy minimum tax requirements.

Compensation cost expensed for the years ended December 31, 2016 and 2015 was $1.2 million and $1.4 million, respectively, and represents an increase in noncontrolling interests in consolidated subsidiaries.

The holders of certain of these restricted unit awards were entitled to equivalent distributions (“UUDs”) to be received upon vesting of the restricted unit awards. As part of the Merger transaction, the value of these cash settled UUDs related to unvested restricted units was transferred to SemGroup and is now included in the balance for SemGroup UD's noted above.

19. EMPLOYEE BENEFIT PLANS

Defined contribution plans

We sponsor defined contribution retirement plans in which the majority of employees are eligible to participate. Our contributions to the defined contribution plans were $3.0 million, $2.7 million, and $2.4 million for the years ended December 31, 2017, 2016 and 2015, respectively.

Pension plans

We sponsor a defined benefit pension plan and a supplemental defined benefit pension plan for certain employees of the SemCAMS segment hired before June 30, 2001 (the “SemCAMS Plans”). Additionally, as part of the acquisition discussed in Note 5, we now sponsor a defined benefit pension plan for the employees of the HFOTCO segment and a supplemental defined benefit benefit plan covering a former key executive of the HFOTCO segment (the “HFOTCO Plans”). These plans are closed to new participants and do not accrue any additional benefits (collectively, the "Pension Plans").

We recognize the funded status of the Pension Plans, measured as the difference between the fair value of the plan assets and the projected benefit obligation, in the consolidated balance sheets. The table below summarizes the balances of the projected benefit obligation and fair value of the plan assets at December 31, 2017 and 2016 (in thousands):

	December 31,	
	2017	2016
Projected benefit obligation	$ 53,489	$ 25,675
Fair value of plan assets	43,098	22,961
Funded status:	$ (10,391)	$ (2,714)

We recorded other noncurrent liabilities of $2.3 million and $2.7 million at December 31, 2017 and 2016, respectively, to reflect the funded status of the SemCAMS Plans.

We recorded other noncurrent liabilities of $8.1 million at December 31, 2017 to reflect the funded status of the HFOTCO Plans.

All of the SemCAMS Plans' assets are invested in pooled funds that hold highly-liquid securities and are classified as Level 2 within the fair value hierarchy. Substantially all of the HFOTCO Plans' assets are invested in mutual funds for which the fair values are determined by quoted prices in active markets and are classified as Level 1 within the fair value hierarchy. The following information discloses the fair values of our Pension Plans' assets, by asset category, for the periods indicated (in thousands):

	December 31, 2017				December 31, 2016			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 538	$ —	$ —	$ 538	$ —	$ —	$ —	$ —
Mutual funds	16,671	—	—	16,671	—	—	—	—
Pooled mutual funds	—	25,889	—	25,889	—	22,961	—	22,961
Total	$ 17,209	$ 25,889	$ —	$ 43,098	$ —	$ 22,961	$ —	$ 22,961

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19. EMPLOYEE BENEFIT PLANS, Continued

We record changes in the funded status of the Pension Plans to other comprehensive income (loss), net of income taxes. These amounts were a loss of \$0.3 million, a loss of \$1.1 million and a gain of \$0.7 million for the years ended December 31, 2017, 2016 and 2015, respectively.

Retiree medical plan

We sponsor an unfunded, post-employment health benefit plan (the “Health Plan”) for certain employees of the SemCAMS segment. The projected benefit obligation related to the Health Plan was \$1.7 million at December 31, 2017 and \$1.5 million at December 31, 2016, and is reported within "other noncurrent liabilities" on the consolidated balance sheets.

20. ACCUMULATED OTHER COMPREHENSIVE LOSS

The following table presents changes in the components of accumulated other comprehensive loss (in thousands):

	Currency Translation	Employee Benefit Plans	Total
Balance, December 31, 2014	\$ (25,059)	\$ (2,082)	\$ (27,141)
Currency translation adjustment, net of income tax benefit of \$19,593	(32,142)	—	(32,142)
Changes related to benefit plans, net of income tax expense of \$240	—	721	721
Balance, December 31, 2015	(57,201)	(1,361)	(58,562)
Currency translation adjustment, net of income tax benefit of \$8,672	(14,224)	—	(14,224)
Changes related to benefit plans, net of income tax benefit of \$417	—	(1,128)	(1,128)
Balance, December 31, 2016	(71,425)	(2,489)	(73,914)
Currency translation adjustment, net of income tax expense of \$12,404	20,411	—	20,411
Changes related to benefit plans, net of income tax expense of \$99	—	(298)	(298)
Balance, December 31, 2017	\$ (51,014)	\$ (2,787)	\$ (53,801)

There were no significant items reclassified out of accumulated other comprehensive loss to net income for the years ended December 31, 2017, 2016 and 2015.

21. SUPPLEMENTAL CASH FLOW INFORMATION

Operating assets and liabilities

The following table summarizes the changes in the components of operating assets and liabilities, net of the effects of acquisitions (in thousands):

21. SUPPLEMENTAL CASH FLOW INFORMATION, Continued

	Year Ended December 31,		
	2017	2016	2015
Decrease (increase) in restricted cash	$ (1)	$ (1)	$ 6,764
Decrease (increase) in accounts receivable	(237,394)	(90,810)	9,051
Decrease (increase) in receivable from affiliates	23,764	(19,541)	10,905
Decrease (increase) in inventories	(17,862)	(30,686)	(31,043)
Decrease (increase) in other current assets	2,947	634	(508)
Decrease (increase) in other assets	(14,307)	(297)	4,015
Increase (decrease) in accounts payable and accrued liabilities	209,982	94,687	2,513
Increase (decrease) in payable to affiliates	(19,537)	21,475	(8,427)
Increase (decrease) in payables to pre-petition creditors	—	—	(3,837)
Increase (decrease) in other noncurrent liabilities	19,385	2,573	(2,625)
	$ (33,023)	$ (21,966)	$ (13,192)

Non-cash transactions

In connection with our acquisition of the noncontrolling interest in Rose Rock in 2016 (Note 5), we recorded a reduction to our deferred tax liabilities and offsetting increase to additional paid-in capital of $143.3 million associated with the transaction. This non-cash adjustment represents the deferred tax impact of the difference between the book value of the noncontrolling interest acquired and the tax basis which is stepped-up to the fair market value of the consideration which included the common shares issued and the assumption of liabilities associated with the noncontrolling interest.

On February 13, 2015, we contributed Wattenburg Oil Trunkline and Glass Mountain Holding, LLC, which held our 50% interest in Glass Mountain, to Rose Rock. As the acquisition was between parties under common control, Rose Rock recorded its interest in acquired assets and liabilities at SemGroup's historical value and SemGroup did not recognize a gain on the transaction. We recorded a reduction of $51.5 million to noncontrolling interests in consolidated subsidiaries and an offsetting increase to additional paid-in capital of $30.7 million, net of a tax impact of $20.8 million. These non-cash entries represent the portion of proceeds in excess of historical cost which were attributed to Rose Rock's third-party unitholders related to Rose Rock's common control acquisition from SemGroup.

See Note 15 for discussion of non-cash change to our asset retirement obligation liability for the year ended December 31, 2015.

Other supplemental disclosures

We paid cash for interest totaling $82.0 million, $71.3 million and $64.9 million for the years ended December 31, 2017, 2016 and 2015, respectively.

We paid cash for income taxes (net of refunds received) in the amount of $7.2 million, $0.7 million and $7.3 million during the years ended December 31, 2017, 2016 and 2015, respectively.

We accrued $76.1 million, $1.4 million and $11.8 million at December 31, 2017, 2016 and 2015, respectively, for purchases of property, plant and equipment.

We financed prepayments of insurance premiums of $6.2 million, $4.7 million and $4.6 million for the years ended December 31, 2017, 2016 and 2015, respectively.

22. QUARTERLY FINANCIAL DATA (UNAUDITED)

Summarized information on our consolidated results of operations for the quarters during the year ended December 31, 2017 is shown below (in thousands, except per share amounts):

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
Total revenues	$ 456,100	$ 473,089	$ 545,922	$ 606,806	$ 2,081,917
Loss (gain) on disposal or impairment, net	2,410	(234)	41,625	(30,468)	13,333
Other operating costs and expenses	447,324	465,807	546,263	579,055	2,038,449
Total expenses	449,734	465,573	587,888	548,587	2,051,782
Earnings from equity method investments	17,091	17,753	17,367	15,120	67,331
Operating income (loss)	23,457	25,269	(24,599)	73,339	97,466
Other expenses, net	33,639	12,033	31,753	39,579	117,004
Income (loss) from continuing operations before income taxes	(10,182)	13,236	(56,352)	33,760	(19,538)
Income tax expense (benefit)	95	3,625	(37,249)	31,141	(2,388)
Net income (loss)	$ (10,277)	$ 9,611	$ (19,103)	$ 2,619	$ (17,150)
Earnings (loss) per share—basic	$ (0.16)	$ 0.15	$ (0.25)	$ 0.03	$ (0.24)
Earnings (loss) per share—diluted	$ (0.16)	$ 0.15	$ (0.25)	$ 0.03	$ (0.24)

The first quarter in the table above includes a $4.5 million out of period loss on disposal of rights-of-way related to immaterial prior period errors. The third and fourth quarters in the table above include the impact of our third quarter acquisition of HFOTCO (Note 5). The third quarter includes the impairment of goodwill and intangible assets related to our crude oil trucking operations of $26.6 million and $12.1 million, respectively. The fourth quarter includes the write-down of our Mexican asphalt and U.K. businesses to net realizable value (Note 4). We recorded impairments of $13.5 million and $76.7 million for the Mexican asphalt and U.K. businesses, respectively. The fourth quarter also includes a $150.3 million gain on the sale of Glass Mountain (Note 6).

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22. QUARTERLY FINANCIAL DATA (UNAUDITED), Continued

Summarized information on our consolidated results of operations for the quarters during the year ended December 31, 2016 is shown below (in thousands, except per share amounts):

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
Total revenues	$ 314,851	$ 287,377	$ 327,764	$ 402,172	$ 1,332,164
Loss on disposal or impairment, net	13,307	1,685	1,018	38	16,048
Other operating costs and expenses	292,250	277,379	316,644	381,969	1,268,242
Total expenses	305,557	279,064	317,662	382,007	1,284,290
Earnings from equity method investments	23,071	17,078	15,845	17,763	73,757
Loss on issuance of common units by equity method investee	(41)	—	—	—	(41)
Operating income	32,324	25,391	25,947	37,928	121,590
Other expenses, net	58,622	9,944	18,684	9,809	97,059
Income (loss) from continuing operations before income taxes	(26,298)	15,447	7,263	28,119	24,531
Income tax expense (benefit)	(21,407)	4,658	11,898	16,119	11,268
Income (loss) from continuing operations	(4,891)	10,789	(4,635)	12,000	13,263
Income (loss) from discontinued operations, net of income taxes	(2)	(2)	3	—	(1)
Net income (loss)	(4,893)	10,787	(4,632)	12,000	13,262
Less: net income attributable to noncontrolling interests	9,020	1,922	225	—	11,167
Net income (loss) attributable to SemGroup	$ (13,913)	$ 8,865	$ (4,857)	$ 12,000	$ 2,095
Earnings (loss) per share—basic	$ (0.32)	$ 0.20	$ (0.09)	$ 0.18	$ 0.04
Earnings (loss) per share—diluted	$ (0.32)	$ 0.19	$ (0.09)	$ 0.18	$ 0.04

23. RELATED PARTY TRANSACTIONS

As described in Note 6, we own equity method investments in the general partner of NGL Energy, a 51% ownership interest in White Cliffs and, until December 22, 2017, a 50% interest in Glass Mountain.

Transactions with NGL Energy and its subsidiaries primarily relate to marketing, leased storage and transportation services of crude oil, including buy/sell transactions. Transactions with White Cliffs primarily relate to leased storage, purchases and sales of crude oil, transportation fees for shipments on the White Cliffs Pipeline, and management fees. Transactions with Glass Mountain primarily relate to transportation fees for shipments on the Glass Mountain Pipeline, fees for support and administrative services associated with pipeline operations and purchases of crude oil.

In accordance with ASC 845-10-15, the buy/sell transactions with NGL Energy and White Cliffs were reported as revenue on a net basis in our consolidated statements of operations and comprehensive income (loss) because the purchases of inventory and subsequent sales of the inventory were with the same counterparty.

During the years ended December 31, 2017, 2016 and 2015, we generated the following transactions with related parties (in thousands):

23. RELATED PARTY TRANSACTIONS, Continued

	Year Ended December 31,		
	2017	2016	2015
NGL Energy			
Revenues	$ 45,918	$ 61,639	$ 157,732
Purchases	$ 29,695	$ 57,739	$ 138,095
White Cliffs			
Crude oil revenues	$ 436	$ 4,973	$ —
Storage revenues	$ 4,350	$ 4,350	$ 4,300
Transportation fees	$ 11,298	$ 10,797	$ 5,253
Management fees	$ 519	$ 494	$ 471
Crude oil purchases	$ 11,870	$ 4,758	$ —
Glass Mountain			
Transportation fees	$ 8,140	$ 7,479	$ 2,997
Management fees	$ 748	$ 793	$ 770
Crude oil purchases	$ 1,319	$ 385	$ 2,087

24. CONDENSED CONSOLIDATING GUARANTOR FINANCIAL STATEMENTS

Our senior unsecured notes are guaranteed by certain of our subsidiaries as follows: Rose Rock Finance Corporation, Rose Rock Midstream Operating, LLC, Rose Rock Midstream Energy GP, LLC, Rose Rock Midstream Crude, L.P., Rose Rock Midstream Field Services, LLC, SemGas, L.P., SemMaterials, L.P., SemGroup Europe Holding, L.L.C., SemOperating G.P., L.L.C., SemMexico, L.L.C., SemDevelopment, L.L.C., Mid-America Midstream Gas Services, L.L.C., SemCrude Pipeline, L.L.C., Wattenberg Holding, LLC and Glass Mountain Holding, LLC (collectively, the "Guarantors").

Each of the Guarantors is 100% owned by SemGroup Corporation (the "Parent"). Such guarantees of the Notes are full and unconditional and constitute the joint and several obligations of the Guarantors. There are no significant restrictions upon the ability of the Parent or any of the Guarantors to obtain funds from its respective subsidiaries by dividend or loan. Distributions of cash flows from HFOTCO, a non-guarantor, are restricted by the existing indebtedness of HFOTCO. None of the assets of the Guarantors represent restricted net assets pursuant to Rule 4-08(e)(3) of Regulation S-X under the Securities Act.

Condensed consolidating financial statements for the Parent, the Guarantors and non-guarantors as of December 31, 2017 and 2016 and for the years ended December 31, 2017, 2016 and 2015 are presented on an equity method basis in the tables below (in thousands).

Intercompany receivable and payable balances, including notes receivable and payable, are capital transactions primarily to facilitate the capital needs of our subsidiaries. As such, subsidiary intercompany balances have been reported as a reduction to equity on the condensed consolidating Guarantor balance sheets. The Parent's net intercompany balance, including note receivable, and investments in subsidiaries have been reported in equity method investments on the condensed consolidating Guarantor balance sheets. Intercompany transactions, such as daily cash management activities, have been reported as financing activities within the condensed consolidating Guarantor statements of cash flows. The Parent's investing activities with subsidiaries have been reflected as cash flows from investing activities. These balances are eliminated through consolidating adjustments below.

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24. CONDENSED CONSOLIDATING GUARANTOR FINANCIAL STATEMENTS, Continued

Condensed Consolidating Guarantor Balance Sheets

	December 31, 2017				
	Parent	Guarantors	Non-guarantors	Consolidating Adjustments	Consolidated
ASSETS					
Current assets:					
Cash and cash equivalents	$ 32,457	$ —	$ 69,872	$ (8,630)	$ 93,699
Accounts receivable	(9)	562,967	90,526	—	653,484
Receivable from affiliates	58	1,421	212	—	1,691
Current assets held for sale	—	—	38,063	—	38,063
Inventories	—	101,665	—	—	101,665
Other current assets	6,671	4,493	3,133	—	14,297
Total current assets	39,177	670,546	201,806	(8,630)	902,899
Property, plant and equipment	8,086	1,002,982	2,304,063	—	3,315,131
Equity method investments	3,085,274	964,930	—	(3,764,923)	285,281
Goodwill	—	—	257,302	—	257,302
Other intangible assets	10	127,783	270,850	—	398,643
Other noncurrent assets, net	45,587	3,097	83,916	—	132,600
Noncurrent assets held for sale	—	—	84,961	—	84,961
Total assets	$ 3,178,134	$ 2,769,338	$ 3,202,898	$ (3,773,553)	$ 5,376,817
LIABILITIES AND OWNERS' EQUITY					
Current liabilities:					
Accounts payable	$ 646	$ 533,651	$ 53,601	$ —	$ 587,898
Payable to affiliates	10	6,961	—	—	6,971
Accrued liabilities	38,747	26,275	66,387	(2)	131,407
Current liabilities held for sale	—	—	23,847	—	23,847
Other current liabilities	1,922	5,532	8,984	—	16,438
Total current liabilities	41,325	572,419	152,819	(2)	766,561
Long-term debt	1,474,491	6,690	1,395,104	(23,190)	2,853,095
Deferred income taxes	1,892	—	44,693	—	46,585
Other noncurrent liabilities	2,061	—	36,434	—	38,495
Noncurrent liabilities held for sale	—	—	13,716	—	13,716
Commitments and contingencies					
Total owners' equity	1,658,365	2,190,229	1,560,132	(3,750,361)	1,658,365
Total liabilities and owners' equity	$ 3,178,134	$ 2,769,338	$ 3,202,898	$ (3,773,553)	$ 5,376,817

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24. CONDENSED CONSOLIDATING GUARANTOR FINANCIAL STATEMENTS, Continued

	December 31, 2016				
	Parent	Guarantors	Non-guarantors	Consolidating Adjustments	Consolidated
ASSETS					
Current assets:					
Cash and cash equivalents	$ 19,002	$ —	$ 59,796	$ (4,582)	$ 74,216
Accounts receivable	—	361,160	57,179	—	418,339
Receivable from affiliates	27	25,244	184	—	25,455
Inventories	—	89,638	9,596	—	99,234
Other current assets	8,986	5,760	3,887	(3)	18,630
Total current assets	28,015	481,802	130,642	(4,585)	635,874
Property, plant and equipment	5,621	970,079	786,372	—	1,762,072
Equity method investments	2,454,118	940,696	—	(2,960,525)	434,289
Goodwill	—	26,628	7,602	—	34,230
Other intangible assets	15	149,669	1,294	—	150,978
Other noncurrent assets, net	54,155	2,080	1,294	—	57,529
Total assets	$ 2,541,924	$ 2,570,954	$ 927,204	$ (2,965,110)	$ 3,074,972
LIABILITIES AND OWNERS' EQUITY					
Current liabilities:					
Accounts payable	$ 674	$ 348,297	$ 18,336	$ —	$ 367,307
Payable to affiliates	—	26,508	—	—	26,508
Accrued liabilities	25,078	23,423	32,603	—	81,104
Other current liabilities	889	5,108	7,439	—	13,436
Total current liabilities	26,641	403,336	58,378	—	488,355
Long-term debt	1,050,893	6,142	16,500	(22,617)	1,050,918
Deferred income taxes	16,119	—	48,382	—	64,501
Other noncurrent liabilities	2,306	—	22,927	—	25,233
Commitments and contingencies					
Total owners' equity	1,445,965	2,161,476	781,017	(2,942,493)	1,445,965
Total liabilities and owners' equity	$ 2,541,924	$ 2,570,954	$ 927,204	$ (2,965,110)	$ 3,074,972

SEMGROUP CORPORATION
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24. CONDENSED CONSOLIDATING GUARANTOR FINANCIAL STATEMENTS, Continued

Condensed Consolidating Guarantor Statements of Operations

	Year Ended December 31, 2017				
	Parent	Guarantors	Non-guarantors	Consolidating Adjustments	Consolidated
Revenues:					
Product	$ —	$ 1,468,754	$ 153,164	$ —	$ 1,621,918
Service	—	149,197	242,069	—	391,266
Lease	—	—	5,843	—	5,843
Other	—	—	62,890	—	62,890
Total revenues	—	1,617,951	463,966	—	2,081,917
Expenses:					
Costs of products sold, exclusive of depreciation and amortization shown below	—	1,383,868	131,023	—	1,514,891
Operating	—	113,503	141,261	—	254,764
General and administrative	42,422	26,143	41,808	—	110,373
Depreciation and amortization	2,294	70,053	86,074	—	158,421
Loss (gain) on disposal or impairment, net	—	(79,585)	92,918	—	13,333
Total expenses	44,716	1,513,982	493,084	—	2,051,782
Earnings from equity method investments	68,964	(11,564)	—	9,931	67,331
Operating income (loss)	24,248	92,405	(29,118)	9,931	97,466
Other expenses (income):					
Interest expense	40,053	38,791	25,019	(854)	103,009
Loss on early extinguishment of debt	19,930	—	—	—	19,930
Foreign currency transaction gain	(2,764)	—	(1,945)	—	(4,709)
Other income, net	(913)	(33)	(1,134)	854	(1,226)
Total other expenses, net	56,306	38,758	21,940	—	117,004
Income (loss) from continuing operations before income taxes	(32,058)	53,647	(51,058)	9,931	(19,538)
Income tax expense (benefit)	(14,908)	—	12,520	—	(2,388)
Income (loss) from continuing operations	(17,150)	53,647	(63,578)	9,931	(17,150)
Net income (loss)	$ (17,150)	$ 53,647	$ (63,578)	$ 9,931	$ (17,150)
Net income (loss)	$ (17,150)	$ 53,647	$ (63,578)	$ 9,931	$ (17,150)
Other comprehensive income (loss), net of income taxes	(11,987)	(573)	32,673	—	20,113
Comprehensive income (loss)	$ (29,137)	$ 53,074	$ (30,905)	$ 9,931	$ 2,963

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24. CONDENSED CONSOLIDATING GUARANTOR FINANCIAL STATEMENTS, Continued

	Year Ended December 31, 2016				
	Parent	Guarantors	Non-guarantors	Consolidating Adjustments	Consolidated
Revenues:					
Product	$ —	$ 872,961	$ 136,448	$ —	$ 1,009,409
Service	—	162,460	102,570	—	265,030
Other	—	—	57,725	—	57,725
Total revenues	—	1,035,421	296,743	—	1,332,164
Expenses:					
Costs of products sold, exclusive of depreciation and amortization shown below	—	761,971	111,460	—	873,431
Operating	—	115,431	96,668	—	212,099
General and administrative	22,349	31,196	30,363	—	83,908
Depreciation and amortization	1,647	68,669	28,488	—	98,804
Loss (gain) on disposal or impairment, net	—	16,115	(67)	—	16,048
Total expenses	23,996	993,382	266,912	—	1,284,290
Earnings from equity method investments	56,815	81,366	—	(64,424)	73,757
Loss on issuance of common units by equity method investee	(41)	—	—	—	(41)
Operating income	32,778	123,405	29,831	(64,424)	121,590
Other expenses (income):					
Interest expense (income)	(4,002)	72,277	(4,819)	(806)	62,650
Foreign currency transaction loss	—	—	4,759	—	4,759
Loss on sale or impairment of non-operated equity method investment, net	30,644	—	—	—	30,644
Other expenses (income), net	(339)	63	(1,524)	806	(994)
Total other expenses (income), net	26,303	72,340	(1,584)	—	97,059
Income from continuing operations before income taxes	6,475	51,065	31,415	(64,424)	24,531
Income tax expense	4,380	—	6,888	—	11,268
Income from continuing operations	2,095	51,065	24,527	(64,424)	13,263
Loss from discontinued operations, net of income taxes	—	—	(1)	—	(1)
Net income	2,095	51,065	24,526	(64,424)	13,262
Less: net income attributable to noncontrolling interests	—	11,167	—	—	11,167
Net income attributable to SemGroup	$ 2,095	$ 39,898	$ 24,526	$ (64,424)	$ 2,095
Net income	$ 2,095	$ 51,065	$ 24,526	$ (64,424)	$ 13,262
Other comprehensive income (loss), net of income taxes	7,360	1,223	(23,935)	—	(15,352)
Comprehensive income (loss)	9,455	52,288	591	(64,424)	(2,090)
Less: comprehensive income attributable to noncontrolling interests	—	11,167	—	—	11,167
Comprehensive income (loss) attributable to SemGroup	$ 9,455	$ 41,121	$ 591	$ (64,424)	$ (13,257)

SEMGROUP CORPORATION
Notes to Consolidated Financial Statements

24. CONDENSED CONSOLIDATING GUARANTOR FINANCIAL STATEMENTS, Continued

	Year Ended December 31, 2015				
	Parent	Guarantors	Non-guarantors	Consolidating Adjustments	Consolidated
Revenues:					
Product	$ —	$ 900,303	$ 218,583	$ —	$ 1,118,886
Service	—	188,429	71,113	—	259,542
Other	—	—	76,666	—	76,666
Total revenues	—	1,088,732	366,362	—	1,455,094
Expenses:					
Costs of products sold, exclusive of depreciation and amortization shown below	—	808,776	170,773	—	979,549
Operating	—	117,541	106,902	—	224,443
General and administrative	29,914	31,021	36,431	—	97,366
Depreciation and amortization	1,522	73,393	25,967	—	100,882
Loss on disposal or impairment, net	—	10,399	1,073	—	11,472
Total expenses	31,436	1,041,130	341,146	—	1,413,712
Earnings from equity method investments	65,512	86,518	—	(70,644)	81,386
Gain on issuance of common units by equity method investee	6,385	—	—	—	6,385
Operating income	40,461	134,120	25,216	(70,644)	129,153
Other expenses (income):					
Interest expense (income)	2,230	69,664	(262)	(1,957)	69,675
Foreign currency transaction gain	(5)	—	(1,062)	—	(1,067)
Gain on sale of non-operated equity method investment	(14,517)	—	—	—	(14,517)
Other income, net	(2,048)	(38)	(1,155)	1,957	(1,284)
Total other expenses (income), net	(14,340)	69,626	(2,479)	—	52,807
Income from continuing operations before income taxes	54,801	64,494	27,695	(70,644)	76,346
Income tax expense	24,482	—	9,048	—	33,530
Income from continuing operations	30,319	64,494	18,647	(70,644)	42,816
Loss from discontinued operations, net of income taxes	—	(3)	(1)	—	(4)
Net income	30,319	64,491	18,646	(70,644)	42,812
Less: net income attributable to noncontrolling interests	—	12,492	—	—	12,492
Net income attributable to SemGroup	$ 30,319	$ 51,999	$ 18,646	$ (70,644)	$ 30,320
Net income	$ 30,319	$ 64,491	$ 18,646	$ (70,644)	$ 42,812
Other comprehensive income (loss), net of income taxes	17,420	430	(49,271)	—	(31,421)
Comprehensive income (loss)	47,739	64,921	(30,625)	(70,644)	11,391
Less: comprehensive income attributable to noncontrolling interests	—	12,492	—	—	12,492
Comprehensive income (loss) attributable to SemGroup	$ 47,739	$ 52,429	$ (30,625)	$ (70,644)	$ (1,101)

SEMGROUP CORPORATION
Notes to Consolidated Financial Statements

24. CONDENSED CONSOLIDATING GUARANTOR FINANCIAL STATEMENTS, Continued

Condensed Consolidating Guarantor Statements of Cash Flows

	Year Ended December 31, 2017				
	Parent	Guarantors	Non-guarantors	Consolidating Adjustments	Consolidated
Net cash provided by (used in) operating activities	$ (46,556)	$ 98,857	$ 88,175	$ —	$ 140,476
Cash flows from investing activities:					
Capital expenditures	(4,554)	(135,999)	(322,160)	—	(462,713)
Proceeds from sale of equity method investment and other long-lived assets	—	312,492	2,329	—	314,821
Contributions to equity method investments	—	(26,444)	—	—	(26,444)
Payments to acquire business, net of cash acquired	—	—	(294,239)	—	(294,239)
Distributions from equity method investees in excess of equity in earnings	—	28,774	—	—	28,774
Net cash provided by (used in) investing activities	(4,554)	178,823	(614,070)	—	(439,801)
Cash flows from financing activities:					
Debt issuance costs	(11,116)	—	—	—	(11,116)
Borrowings on credit facilities and issuance of senior unsecured notes	1,470,377	—	55,000	—	1,525,377
Principal payments on credit facilities and other obligations	(1,049,652)	(26)	(2,750)	—	(1,052,428)
Debt extinguishment costs	(16,293)	—	—	—	(16,293)
Repurchase of common stock for payment of statutory taxes due on equity-based compensation	(1,473)	—	—	—	(1,473)
Dividends paid	(129,925)	—	—	—	(129,925)
Proceeds from issuance of common stock under employee stock purchase plan	1,114	—	—	—	1,114
Intercompany borrowings (advances), net	(198,467)	(277,654)	480,169	(4,048)	—
Net cash provided by (used in) financing activities	64,565	(277,680)	532,419	(4,048)	315,256
Effect of exchange rate changes on cash and cash equivalents	—	—	3,552	—	3,552
Change in cash and cash equivalents	13,455	—	10,076	(4,048)	19,483
Cash and cash equivalents at beginning of period	19,002	—	59,796	(4,582)	74,216
Cash and cash equivalents at end of period	$ 32,457	$ —	$ 69,872	$ (8,630)	$ 93,699

SEMGROUP CORPORATION
Notes to Consolidated Financial Statements

24. CONDENSED CONSOLIDATING GUARANTOR FINANCIAL STATEMENTS, Continued

	Year Ended December 31, 2016				
	Parent	Guarantors	Non-guarantors	Consolidating Adjustments	Consolidated
Net cash provided by operating activities	$ 84,460	$ 79,054	$ 65,282	$ (58,822)	$ 169,974
Cash flows from investing activities:					
Capital expenditures	(2,928)	(56,102)	(253,426)	—	(312,456)
Proceeds from sale of long-lived assets	—	53	98	—	151
Contributions to equity method investments	—	(4,188)	—	—	(4,188)
Proceeds from sale of common units of equity method investee	60,483	—	—	—	60,483
Distributions from equity method investments in excess of equity in earnings	—	27,726	—	—	27,726
Net cash provided by (used in) investing activities	57,555	(32,511)	(253,328)	—	(228,284)
Cash flows from financing activities:					
Debt issuance costs	(7,728)	—	—	—	(7,728)
Borrowings on credit facilities and issuance of senior unsecured notes	382,500	—	—	—	382,500
Principal payments on debt and other obligations	(396,859)	(31)	—	—	(396,890)
Proceeds from issuance of common shares, net of offering costs	223,025	—	—	—	223,025
Distributions to noncontrolling interests	—	(32,133)	—	—	(32,133)
Repurchase of common stock	(965)	—	—	—	(965)
Dividends paid	(92,910)	—	—	—	(92,910)
Proceeds from issuance of common stock under employee stock purchase plan	1,010	—	—	—	1,010
Intercompany borrowings (advances), net	(235,645)	(23,437)	203,278	55,804	—
Net cash provided by (used in) financing activities	(127,572)	(55,601)	203,278	55,804	75,909
Effect of exchange rate changes on cash and cash equivalents	—	—	(1,479)	—	(1,479)
Change in cash and cash equivalents	14,443	(9,058)	13,753	(3,018)	16,120
Cash and cash equivalents at beginning of period	4,559	9,058	46,043	(1,564)	58,096
Cash and cash equivalents at end of period	$ 19,002	$ —	$ 59,796	$ (4,582)	$ 74,216

SEMGROUP CORPORATION
Notes to Consolidated Financial Statements

24. CONDENSED CONSOLIDATING GUARANTOR FINANCIAL STATEMENTS, Continued

	Year Ended December 31, 2015				
	Parent	Guarantors	Non-guarantors	Consolidating Adjustments	Consolidated
Net cash provided by operating activities	$ 37,259	$ 122,838	$ 58,845	$ (37,180)	$ 181,762
Cash flows from investing activities:					
Capital expenditures	(1,740)	(197,074)	(280,716)	—	(479,530)
Proceeds from sale of long-lived assets	—	257	3,431	—	3,688
Contributions to equity method investments	—	(46,730)	—	—	(46,730)
Proceeds from the sale of interest in SemCrude Pipeline, L.L.C. to Rose Rock Midstream, L.P.	251,181	—	—	(251,181)	—
Proceeds from sale of common units of equity method investee	56,318	—	—	—	56,318
Distributions from equity method investments in excess of equity in earnings	35,340	24,113	—	(35,340)	24,113
Net cash provided by (used in) investing activities	341,099	(219,434)	(277,285)	(286,521)	(442,141)
Cash flows from financing activities:					
Debt issuance costs	(601)	(5,688)	—	—	(6,289)
Borrowings on credit facilities and issuance of senior unsecured notes	181,000	686,208	—	—	867,208
Principal payments on credit facilities and other obligations	(186,000)	(374,049)	—	—	(560,049)
Distributions to noncontrolling interests	—	(40,410)	—	—	(40,410)
Proceeds from issuance of common units, net of offering costs	—	89,119	—	—	89,119
Repurchase of common stock	(4,261)	—	—	—	(4,261)
Dividends paid	(69,514)	—	—	—	(69,514)
Proceeds from issuance of common stock under employee stock purchase plan	1,223	—	—	—	1,223
Intercompany borrowings (advances), net	(304,900)	(253,150)	231,812	326,238	—
Net cash provided by (used in) financing activities	(383,053)	102,030	231,812	326,238	277,027
Effect of exchange rate changes on cash and cash equivalents	—	—	850	—	850
Change in cash and cash equivalents	(4,695)	5,434	14,222	2,537	17,498
Cash and cash equivalents at beginning of period	9,254	3,624	31,821	(4,101)	40,598
Cash and cash equivalents at end of period	$ 4,559	$ 9,058	$ 46,043	$ (1,564)	$ 58,096

Exhibit 10.3

SECOND AMENDMENT TO AMENDED AND RESTATED CREDIT AGREEMENT

THIS SECOND AMENDMENT TO AMENDED AND RESTATED CREDIT AGREEMENT, dated as of February 20, 2018 (this "**Amendment**"), to the Amended and Restated Credit Agreement, dated as of September 30, 2016 (as previously amended, restated, amended and restated, or otherwise modified, the "**Credit Agreement**"), and entered into by, among others, SemGroup Corporation, as the Borrower (the "**Borrower**"), the lenders party thereto (the "**Lenders**") and Wells Fargo Bank, National Association, as administrative agent (in such capacity, the "**Administrative Agent**") and collateral agent for the Lenders. Capitalized terms used herein and not otherwise defined herein shall have the meanings ascribed to them in the Credit Agreement.

W I T N E S S E T H:

WHEREAS, the Borrower desires to amend certain provisions of the Credit Agreement as specified below (the "**Specified Amendments**");

WHEREAS, the Loan Parties have requested that the Lenders agree to amend certain provisions of the Credit Agreement in order to permit each of the Specified Amendments; and

WHEREAS, subject to certain conditions, the Lenders party hereto (who shall constitute the Required Lenders) are willing to agree to such amendments.

NOW, THEREFORE, in consideration of the promises and covenants contained herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto, intending to be legally bound hereby, agree as follows:

Section 1. ***Amendments to the Credit Agreement***

(a) Section 1.01 is hereby amended by inserting the following terms therein in appropriate alphabetical order:

""***Beachhead***" shall mean Beachhead Holdings and its Subsidiaries."

""***Beachhead Holdings***" shall mean Beachhead Holdings LLC, a Delaware limited liability company."

""***Beachhead I***" shall mean Beachhead I LLC, a Delaware limited liability company."

""***Beachhead II***" shall mean Beachhead II LLC, a Delaware limited liability company."

""***Discharge Date***" shall have the meaning given to such term in that certain Guarantee, Pledge and Security Agreement, dated as of July 17, 2017, among Beachhead Holdings, Beachhead I, Beachhead II, Buffalo Parent Gulf Coast Terminals, LLC, Buffalo Investor I, L.P. and Buffalo Investor II, L.P."

""***Second Amendment Effective Date***" shall mean February 20, 2018."

““***Second Payment***” shall have the meaning specified in the filing by the Borrower on Form 8-K on June 5, 2017.”

““***SemEuro Interests***” shall mean (a) the Equity Interests of SemEuro, (b) the Equity Interests of the Subsidiaries of SemEuro, (c) the assets of SemEuro and its Subsidiaries or (d) such other interests of SemEuro and its Subsidiaries reasonably approved by the Administrative Agent.”

(b) Section 1.01 is hereby amended by amending and restating the proviso appearing in the definition of Permitted Deductions as follows:

“*provided*, that Permitted Deductions shall not exceed (i) on any date of determination of Consolidated Net Debt on or prior to the satisfaction of the Second Payment, all cash and Permitted Investments of the Borrower and its Restricted Subsidiaries so long as on such date of determination, there are no outstanding Loans and (ii) for all other purposes, U.S.$50.0 million.”

(c) Section 1.01 is hereby amended by adding a new paragraph at the end of the definition of Unrestricted Subsidiary as follows:

“Notwithstanding anything to the contrary herein, from and after the date that the Second Payment is made in full and the Borrower receives confirmation that the Discharge Date has occurred, Beachhead Holdings, Beachhead I and Beachhead II shall not be, and shall not be permitted to be, Unrestricted Subsidiaries:”

(d) Section 5.10(d) is hereby amended by adding a proviso at the end thereof as follows:

“; *provided*, that notwithstanding anything to the contrary herein, from and after the date on which the Second Payment is made in full and the Borrower receives confirmation that the Discharge Date has occurred, Beachhead Holdings, Beachhead I and Beachhead II shall be deemed to be Material Subsidiaries and within thirty (30) days of the date on which the Second Payment is made in full and the Borrower receives confirmation that the Discharge Date has occurred, which period may be extended by up to an additional thirty (30) days in the sole discretion of the Administrative Agent, the Collateral and Guarantee Requirement shall have been satisfied with respect to Beachhead Holdings, Beachhead I and Beachhead II and with respect to any Equity Interest or Indebtedness issued or owned by each of Beachhead Holdings, Beachhead I and Beachhead II; *provided*, *further*, that at all times 100% of the Equity Interests issued by Buffalo Parent Gulf Coast Terminals LLC, a Delaware limited liability company, shall be directly owned by Beachhead I and/or Beachhead II.”

(e) Section 6.04(a) is hereby amended by deleting the words “Closing Date” therein and replacing it with “Second Amendment Effective Date” in lieu thereof.

(f) Section 6.04(g) is hereby amended by deleting the words “Closing Date” therein and replacing it with “Second Amendment Effective Date” in lieu thereof.

(g) Section 6.04(i) is hereby amended by inserting the words “after the Second Amendment Effective Date” immediately following the words “Restricted Subsidiaries” therein.

(h) Section 6.04(o) is hereby amended by deleting the words "Closing Date" therein and replacing it with "Second Amendment Effective Date" in lieu thereof.

(i) Section 6.04(r) is hereby amended by amending and restating it in its entirety as follows: "Investments after the Second Amendment Effective Date in White Cliffs in an aggregate amount not to exceed U.S.$35.0 million"

(j) Section 6.04(s) is hereby amended by amending and restating it in its entirety as follows: "Investments after the Second Amendment Effective Date (i) in Beachhead in an aggregate amount not to exceed U.S.$685.0 million for purposes of financing all or a portion of the Second Payment and (ii) in Beachhead in an aggregate amount (valued at the time of the making thereof and without giving effect to any write-downs or write-offs thereof) not to exceed an amount equal to the sum of, without duplication, U.S.$50.0 million *plus* any return of capital actually received by the Borrower or any Restricted Subsidiary in respect of investments previously made by them pursuant to this clause (s);"

(k) Section 6.04(t) is hereby amended by inserting the words "after the Second Amendment Effective Date" immediately following the first instance of the word "Investments" therein.

(l) Section 6.04(u) is hereby amended (i) by deleting the words "Closing Date" therein and replacing it with "Second Amendment Effective Date" in lieu thereof" and (ii) by deleting the words "$375.0 million" therein and replacing it with "U.S.$150.0 million" in lieu thereof.

(m) Section 6.05 is hereby amended by (i) deleting the "and" appearing at the end of clause (n) thereof, (ii) deleting the ", ." at the end of clause (o) thereof and replacing it with "; and" in lieu thereof, and (iii) inserting a new clause (p) as follows:

> "(p) (x) sales, transfers or other dispositions of SemEuro Interests as consideration for all or a portion of the purchase price of a Permitted Business Acquisition or (y) sales, transfers or other dispositions of SemEuro Interests; *provided* that in the case of sales, transfers or other dispositions of SemEuro Interests under clause (p)(y), (i) the Net Proceeds from such dispositions shall be applied to the prepayment of the Loans in accordance with Section 2.11(c), (ii) such disposition is for at least 75% cash consideration, and (iii) no Default or Event of Default shall have occurred and be continuing."

(n) Section 6.07(b)(viii) is hereby amended and restated in its entirety as follows: "corporate sharing arrangements with Subsidiaries, including with respect to tax sharing and general overhead and administrative matters;"

(o) Schedule 6.04 is hereby amended and restated in its entirety as set forth on Exhibit A hereto.

Section 2. ***Conditions Precedent to the Effectiveness of this Amendment***

This Amendment shall become effective as of the date on which each of the following conditions precedent shall have been satisfied (the date of satisfaction of such conditions being referred to herein as the "**Second Amendment Effective Date**"):

(a) the Administrative Agent shall have received this Amendment, duly executed by each of the Borrower, the Guarantors and the Required Lenders;

(b) the representations and warranties set forth in Article III of the Credit Agreement shall be true and correct in all material respects (except that such materiality qualifier shall not be applicable to any representations and warranties that already are qualified or modified by materiality in the text thereof) on and as of the Second Amendment Effective Date, to the same extent as though made on and as of such date, except to the extent such representations and warranties expressly relate to an earlier date (in which case such representations and warranties shall be true and correct in all material respects as of such earlier date);

(c) as of the Second Amendment Effective Date, no Event of Default or Default shall have occurred and be continuing;

(d) the Borrower shall have paid all fees and expenses payable to the Lenders and the Administrative Agent hereunder or under any other Loan Document; and

(e) the Borrower shall have obtained all material consents necessary or advisable in connection with the transactions contemplated by this Amendment.

Section 3. ***Acknowledgment and Consent.***

(a) Each Guarantor acknowledges and agrees that any of the Loan Documents to which it is a party or otherwise bound shall continue in full force and effect and that all of its obligations thereunder shall be valid and enforceable and shall not be impaired or limited by the execution or effectiveness of this Amendment.

(b) Each Guarantor acknowledges and agrees that (i) notwithstanding the conditions to effectiveness set forth in this Amendment, such Guarantor is not required by the terms of the Credit Agreement or any other Loan Document to consent to the amendments to the Credit Agreement effected pursuant to this Amendment and (ii) nothing in the Credit Agreement, this Amendment or any other Loan Document shall be deemed to require the consent of such Guarantor to any future amendments to the Credit Agreement.

Section 4. ***Reference to and Effect on the Loan Documents***

(a) This Amendment is a Loan Document executed pursuant to the Credit Agreement and shall be construed, administered and applied in accordance with the terms and provisions thereof. The Borrower agrees to pay any applicable costs and expenses incurred in connection with this Amendment in accordance with the terms set forth in the Credit Agreement, including Section 9.05 thereof.

(b) Except as specifically amended above, all of the terms and provisions of the Credit Agreement and all other Loan Documents are and shall remain in full force and effect and are hereby ratified and confirmed.

(c) The execution, delivery, effectiveness and performance of this Amendment shall not operate as a waiver of any right, power or remedy of the Lenders, the Borrower or the Administrative Agent under any of the Loan Documents, nor constitute a waiver of any other provision of any of the Loan Documents or for any purpose.

(d) Each of the Loan Documents, including the Credit Agreement, and any and all other agreements, documents or instruments now or hereafter executed and/or delivered pursuant to the terms hereof or pursuant to the terms of the Credit Agreement as amended hereby, are hereby amended so that any reference in such Loan Documents to the Credit Agreement, whether direct or indirect, shall mean a reference to the Credit Agreement as amended hereby.

Section 5. ***Execution in Counterparts***

This Amendment may be executed in any number of counterparts, each of which when so executed and delivered shall be deemed an original, but all such counterparts together shall constitute but one and the same instrument. Delivery of an executed counterpart by telecopy or other electronic transmission shall be effective as delivery of a manually executed counterpart of this Amendment.

Section 6. ***Governing Law***

THIS AMENDMENT SHALL BE CONSTRUED IN ACCORDANCE WITH, AND GOVERNED BY THE LAWS OF, THE STATE OF NEW YORK.

Section 7. ***Headings***

Section and Subsection headings herein are included herein for convenience of reference only and shall not constitute a part hereof for any other purpose or be given any substantive effect.

Section 8. ***Notices***

All communications and notices hereunder shall be given as provided in the Credit Agreement.

Section 9. ***Severability***

The illegality or unenforceability of any provision of this Amendment or any instrument or agreement required hereunder shall not in any way affect or impair the legality or enforceability of the remaining provisions of this Amendment or any instrument or agreement required hereunder.

Section 10. ***Successors***

The terms of this Amendment shall be binding upon, and shall inure to the benefit of, the parties hereto and their respective successors and assigns.

Section 11. ***Waiver of Jury Trial***

EACH PARTY HERETO HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION DIRECTLY OR INDIRECTLY ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS AMENDMENT. EACH PARTY HERETO (i) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (ii) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AMENDMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION 11.

Section 12. ***Jurisdiction***

Each of the parties to this Amendment hereby irrevocably and unconditionally submits, for itself and its property, to the non-exclusive jurisdiction of any New York State court or federal court of the United States of America sitting in New York County, and any appellate court from any thereof, in any action or proceeding arising out of or relating to this Amendment or the transactions contemplated hereby, or for recognition or enforcement of any judgment, and each of the parties hereto hereby irrevocably and unconditionally agrees that all claims in respect of any such action or proceeding may be heard and determined in such New York State or, to the extent permitted by law, in such federal court.

[SIGNATURE PAGES FOLLOW]

[Second Amendment Signature Page]

In Witness Whereof, the parties hereto have caused this Amendment to be executed by their respective officers thereunto duly authorized, as of the date first written above.

SEMGROUP CORPORATION

By: /s/ Robert N. Fitzgerald
Name: Robert N. Fitzgerald
Title: Senior Vice President and Chief Financial Officer

Subsidiary Guarantors

SEMGAS, L.P.
SEMMATERIALS, L.P.

By: SEMOPERATING G.P., L.L.C., each such Guarantor's general partner

By: /s/ Robert N. Fitzgerald
Name: Robert N. Fitzgerald
Title: Senior Vice President and Chief Financial Officer

SEMOPERATING G.P., L.L.C.
SEMDEVELOPMENT, L.L.C.
SEMCRUDE PIPELINE, L.L.C.
ROSR ROCK MIDSTREAM OPERATING, LLC
ROSE ROCK FINANCE CORPORATION
ROSE ROCK MIDSTREAM ENERGY GP, LLC
ROCK ROCK MIDSTREAM FIELD SERVICES, LLC

By: /s/ Robert N. Fitzgerald
Name: Robert N. Fitzgerald
Title: Senior Vice President and Chief Financial Officer

ROSE ROCK MIDSTREAM CRUDE, L.P.

By: ROSE ROCK MIDSTREAM ENERGY GP, LLC, as general partner

By: ___/s/ Robert N. Fitzgerald_________
Name: Robert N. Fitzgerald
Title: Senior Vice President and Chief Financial Officer

SEMGROUP EUROPE HOLDING, L.L.C.
SEMMEXICO, L.L.C.
MID-AMERICA MIDSTREAM GAS SERVICES, L.L.C.

By: ___/s/ Robert N. Fitzgerald_________
Name: Robert N. Fitzgerald
Title: Chief Financial Officer

WATTENBERG HOLDING, LLC
GLASS MOUNTAIN HOLDING, LLC

By: ROSE ROCK MIDSTREAM OPERATING, LLC, each Guarantor's sole member and manager

By: ___/s/ Robert N. Fitzgerald_________
Name: Robert N. Fitzgerald
Title: Senior Vice President and Chief Financial Officer

WELLS FARGO BANK, NATIONAL ASSOCIATION,
as Administrative Agent

By: /s/ Andrew Ostrov
Name: Andrew Ostrov
Title: Director

WELLS FARGO BANK, NATIONAL ASSOCIATION,
as a Lender

By: /s/ Andrew Ostrov
Name: Andrew Ostrov
Title: Director

Citibank, N.A.,
as a Lender

By: /s/ Michael Zeller
Name: Michael Zeller
Title: Vice President

Deutsche Bank AG New York Branch,
as a Lender

By: /s/ Chris Chapman
Name: Chris Chapman
Title: Director

By: /s/ Shai Bandner
Name: Shai Bandner
Title: Director

THE BANK OF NOVA SCOTIA,
HOUSTON BRANCH,
as a Lender

By: /s/ Joe Lattanzi
Name: Joe Lattanzi
Title: Managing Director

ROYAL BANK OF CANADA,
as a Lender

By: /s/ Jason S. York
Name: Jason S. York
Title: Authorized Signatory

The Toronto-Dominion Bank, New York Branch,
as a Lender

By: /s/ Annie Dorval
Name: Annie Dorval
Title: Authorized Signatory

CAPITAL ONE, NATIONAL ASSOCIATION,
as a Lender

By: /s/ Kristin N. Oswald
Name: Kristin N. Oswald
Title: Vice President

ABN AMRO CAPITAL USA LLC,
as a Lender

By: /s/ Darrell Holley
Name: Darrell Holley
Title: Managing Director

By: /s/ Kaylan Hopson
Name: Kaylan Hopson
Title: Vice President

Barclays Bank PLC,
as a Lender

By: /s/ Nicholas Guzzardo
Name: Nicholas Guzzardo
Title: AVP

CREDIT SUISSE AG, CAYMAN ISLANDS BRANCH, as a Lender

By: /s/ Nupur Kumar
Name: Nupur Kumar
Title: Authorized Signatory

By: /s/ Sophie Bulliard
Name: Sophie Bulliard
Title: Authorized Signatory

JPMorgan Chase Bank, N.A., as a Lender

By: /s/ Stephanie Balette
Name: Stephanie Balette
Title: Authorized Officer

SUNTRUST BANK,
as a Lender

By: /s/ Chulley Bogle
Name: Chulley Bogle
Title: Vice President

BMO Harris Financing, Inc.,
as a Lender

By: /s/ Kevin Utsey
Name: Kevin Utsey
Title: Managing Director

BNP Paribas,
as a Lender

By: /s/ Joe Onischuk
Name: Joe Onischuk
Title: Managing Director

By: /s/ Mark Renaud
Name: Mark Renaud
Title: Managing Director

Compass Bank,
as a Lender

By: /s/ Mark H. Wolf
Name: Mark H. Wolf
Title: Senior Vice President

BOKF, NA DBA BANK OF OKLAHOMA,
as a Lender

By: /s/ Matt Chase
Name: Matt Chase
Title: Senior Vice President

REGIONS BANK,
as a Lender

By: /s/ Michelle Chung
Name: Michelle Chung
Title: Senior Vice President

CADENCE BANK, N.A.,
as a Lender

By: /s/ William W. Brown
Name: William W. Brown
Title: Executive Vice President

Morgan Stanley Senior Funding, Inc,
as a Lender

By: /s/ Christopher Winthrop
Name: Christopher Winthrop
Title: Vice President

Morgan Stanley Bank North America,
as a Lender

By: /s/ Christopher Winthrop
Name: Christopher Winthrop
Title: Authorized Signatory

ZB, N.A. dba Amegy Bank,
as a Lender

By: /s/ Larry L. Sears
Name: Larry L. Sears
Title: Senior Vice President - Amegy Bank Division

Commerce Bank,
as a Lender

By: /s/ Eric Rutter
Name: Eric Rutter
Title: AVP, Energy Lending

EXHIBIT A - Schedule 6.04

1. Indebtedness owed by SemLogistics Milford Haven Limited to SemGroup Corporation, in an approximate amount of US $16,500,000. Indebtedness owed by SemGroup Europe Holding, L.L.C. to SemGroup Corporation, in an approximate amount of US $6,500,885.

2. Remainder of original indebtedness under the promissory note dated July 23, 2007, as amended and restated on or about November 27, 2009, made by SemCAMS ULC in favor of SemCrude, L.P. in the approximate amount of US $137,056,890, not assigned by SemCrude, L.P. to SemCanada Crude Company, equal to $1,497,347.

3. Indebtedness under the promissory note dated on or about November 27, 2009, made by SemCAMS ULC in favor of SemCanada II, L.P. in the approximate amount of US $36,253,583.

4. Investments existing on the Second Amendment Effective Date in subsidiaries as reflected in the Organization Chart separately delivered to the Lenders prior to the Second Amendment Effective Date. Between the Closing Date and the Second Amendment Effective Date, the Borrower utilized $296 million of the amounts permitted under Section 6.04(a), $25 million of the amounts permitted under Section 6.04(i), $50 million of the amounts permitted under Section 6.04(o), $1.4 million of the amounts permitted under Section 6.04(r), $24 million of the amounts permitted under Section 6.04(s) and $255 million of the amounts permitted under Section 6.04(u).

5. NGL GP Interests.

SemGroup Corporation

Severance Agreement

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SEMGROUP CORPORATION
SEVERANCE AGREEMENT

THIS AGREEMENT dated as of the ____ day of _____________, 20_____ (the "Agreement Date") is made by and between SemGroup Corporation, a corporation incorporated under the laws of the State of Delaware ("SemGroup", together with its subsidiaries, affiliates and successors thereto), and _________________________ ("Executive").

RECITALS

The Board of Directors of SemGroup has determined that it is in the best interests of SemGroup and its stockholders to encourage and motivate the Executive to devote his full attention to the performance of his assigned duties without the distraction of concerns regarding his involuntary or constructive termination of employment for the reasons specified in this Agreement. The Executive is employed by SemGroup or a Subsidiary and may from time to time be employed by one or more Subsidiaries. SemGroup and its Subsidiaries believe that it is in the best interest of the Executive, their customers, the communities they serve, and the stockholders of SemGroup to provide financial assistance through severance payments and other benefits to Executive if Executive is involuntarily or constructively terminated for the reasons specified in this Agreement. This Agreement is intended to accomplish these objectives.

ARTICLE I

DEFINITIONS

As used in this Agreement, the terms specified below shall have the following meanings:

1.1 "Accrued Annual Bonus" means the amount of any Annual Bonus earned but not yet paid as of the Termination Date, other than amounts Executive has elected to defer.

1.2 "Accrued Base Salary" means the amount of Executive's Base Salary that is accrued but not yet paid as of the Termination Date, other than amounts Executive has elected to defer.

1.3 "Accrued Obligations" means, as of the Termination Date, the sum of Executive's Accrued Base Salary, Accrued Annual Bonus, any accrued but unpaid vacation, and any other amounts and benefits which are then due to be paid or provided to Executive by SemGroup, but have not yet been paid or provided (as applicable), provided no payments will be accelerated if such acceleration would violate Code Section 409A.

1.4 "Affiliate" means any Person (including a Subsidiary) that directly or indirectly, through one or more intermediaries, controls, or is controlled by or is under common control with SemGroup. For purposes of this definition the term "control" with respect to any Person means the power to direct or cause the direction of management or policies of such Person, directly or indirectly, whether through the ownership of Voting Securities, by contract or otherwise.

1.5 "Agreement Date" see the introductory paragraph of this Agreement.

1.6 "Agreement Term" means the period commencing on the Agreement Date and ending on June 1, 2020. Notwithstanding anything herein to the contrary, with respect to a Post-Change Period, the Agreement Term shall end at the end of the Severance Period (as defined in Section 2.1(c)) if applicable, or if there is no such Severance Period, the earliest of the following: (a) the second anniversary of the Change Date, or (b) the Termination Date; provided that: (i) the obligations, if any, of SemGroup to make payments under this Agreement due to a Separation from Service which occurred during the Agreement Term shall continue beyond the Agreement Term until all such obligations are fully satisfied, and (ii) the obligations of Executive under this Agreement shall continue beyond the Agreement Term until all such obligations are fully satisfied. Notwithstanding anything herein to the contrary, this Agreement shall automatically terminate upon the occurrence of a Disqualifying Disaggregation pursuant to Section 1.21.

1.7 "Annual Bonus" means the opportunity to receive payment of a cash annual incentive.

1.8 "Article" means an article of this Agreement.

1.9 "Base Salary" means annual base salary in effect on the Termination Date, disregarding any reduction that would qualify as Good Reason.

1.10 "Beneficial Owner" means such term as defined in Rule 13d-3 of the SEC under the Exchange Act.

1.11 "Beneficiary" see Section 7.3.

1.12 "Board" means the Board of Directors of SemGroup or, from and after the Change Date that gives rise to a Surviving Corporation other than SemGroup, the Board of Directors of such Surviving Corporation.

1.13 "Cause" means any one or more of the following:

(a) Executive's conviction of or plea of nolo contendere to a felony or other crime involving fraud, dishonesty or moral turpitude;

(b) Executive's willful or reckless material misconduct in the performance of his duties which results in an adverse effect on SemGroup, the Subsidiary or an Affiliate;

(c) Executive's willful or reckless violation or disregard of the code of business conduct and ethics or, if applicable, the code of ethics for CEO and senior financial officers;

(d) Executive's material willful or reckless violation or disregard of a SemGroup or Subsidiary policy; or

(e) Executive's habitual or gross neglect of duties;

provided, however, that for purposes of clauses (b) and (e), Cause shall not include any one or more of the following:

(i) bad judgment or negligence, other than Executive's habitual neglect of duties or gross negligence;

(ii) any act or omission believed by Executive in good faith, after reasonable investigation, to have been in or not opposed to the interest of SemGroup, the Subsidiary or an Affiliate (without intent of Executive to gain, directly or indirectly, a profit to which Executive was not legally entitled);

(iii) any act or omission with respect to which a determination could properly have been made by the Board that Executive had satisfied the applicable standard of conduct for indemnification or reimbursement under SemGroup's certificate of incorporation, by-laws, Board resolutions, any applicable indemnification agreement, or applicable law, in each case as in effect at the time of such act or omission; or

(iv) during a Post-Change Period, failure to meet performance goals, objectives or measures following good faith efforts to meet such goals, objectives or measures; and

further provided that, for purposes of clauses (b) through (e) if an act, or a failure to act, which was done, or omitted to be done, by Executive in good faith and with a reasonable belief, after reasonable investigation, that Executive's act, or failure to act, was in the best interests of SemGroup, the Subsidiary or an Affiliate or was required by applicable law or administrative regulation, such breach shall not constitute Cause if, within 10 business days after Executive is given written notice of such breach that specifically refers to this Section, Executive cures such breach to the fullest extent that it is curable. With respect to the above definition of "cause", no act or conduct by Executive will constitute "cause" if Executive acted: (i) in accordance with the instructions or advice of counsel representing SemGroup or if there was a conflict such that Executive could not consult with counsel representing SemGroup, other qualified counsel, or (ii) as required by legal process.

1.14 "Cause Determination" see Section 2.3(b)(iv).

1.15 "Change Date" means the date on which a Change in Control first occurs during the Agreement Term.

1.16 "Change in Control" means, except as otherwise provided below, the occurrence of any one or more of the following during the Agreement Term:

(a) any person (as such term is used in Rule 13d-5 of the SEC under the Exchange Act) or group (as such term is defined in Sections 3(a)(9) and 13(d)(3) of the Exchange Act), other than an Affiliate of SemGroup or any employee benefit plan (or any related trust) sponsored or maintained by SemGroup or any of its Affiliates (a "Related Party"), becomes the Beneficial Owner of 30% or more of the common stock of SemGroup or of Voting Securities representing 30% or more of the combined voting power of all Voting Securities of SemGroup, except that no Change in Control shall be deemed to have occurred solely by reason of such beneficial ownership by a Person with respect to which both more than 70% of the common stock of such Person and Voting Securities representing more than 70% of the combined voting power of the Voting Securities of such Person are then owned, directly or indirectly, by the persons who were the direct or indirect owners of the common stock and Voting Securities of SemGroup immediately before such acquisition, in substantially the same proportions as their ownership, immediately before such acquisition, of the common stock and Voting Securities of SemGroup, as the case may be; or

(b) SemGroup Incumbent Directors (determined using the Agreement Date as the baseline date) cease for any reason to constitute at least a majority of the directors of SemGroup then serving; or

(c) consummation of a merger, reorganization, recapitalization, consolidation, or similar transaction (any of the foregoing, a "Reorganization Transaction"), other than a Reorganization Transaction that results in the Persons who were the direct or indirect owners of the outstanding common stock and Voting Securities of SemGroup immediately before such Reorganization Transaction becoming, immediately after the consummation of such Reorganization Transaction, the direct or indirect owners, of both at least 60% of the then-outstanding common stock of the Surviving Corporation and Voting Securities representing at least 60% of the combined voting power of the then-outstanding Voting Securities of the Surviving Corporation, in substantially the same respective proportions as such Persons' ownership of the common stock and Voting Securities of SemGroup immediately before such Reorganization Transaction; or

(d) approval by the stockholders of SemGroup of a plan or agreement for the sale or other disposition of all or substantially all of the consolidated assets of SemGroup or a plan of complete liquidation of SemGroup, other than any such transaction that would result in: (i) a Related Party owning or acquiring more than 50% of the assets owned by SemGroup immediately prior to the transaction, or (ii) the Persons who were the direct or indirect owners of the outstanding common stock and Voting Securities of SemGroup immediately before such transaction becoming, immediately after the consummation of such transaction, the direct or indirect owners, of more than 50% of the assets owned by SemGroup immediately prior to the transaction.

Notwithstanding the occurrence of any of the foregoing events, a Change in Control shall not occur with respect to Executive if, in advance of such event, Executive agrees in writing that such event shall not constitute a Change in Control. Upon the Board's determination that a sale or other disposition of all or substantially all of the consolidated assets of SemGroup or a plan of complete liquidation of SemGroup that was approved by stockholders, as described in Section 1.16(d), will not occur, a Change in Control shall be deemed not to have occurred from such date of determination forward, and this Agreement shall continue in effect as if no Change in Control had occurred except to the extent termination requiring payments under this Agreement occurs prior to such Board determination.

1.17 "Code" means the Internal Revenue Code of 1986, as amended.

1.18 "Competitive Business" means, as of any date, any individual or entity (and any branch, office, or operation thereof) which engages in, or proposes to engage in (with Executive's assistance) any of the following in which the Executive has been engaged in the 12 months preceding the Termination Date: (i) the gathering, transportation, storage, distribution, blending and/or marketing of crude oil, natural gas, natural gas liquids, refined petroleum products and/or liquid asphalt cement; and (ii) any other business actively engaged in by SemGroup which represents for any calendar year or is projected by SemGroup (as reflected in a business plan adopted by SemGroup before Executive's Termination Date) to yield during any year during the first three-fiscal year periods commencing on or after Executive's Termination Date, more than 5% of the gross revenue of SemGroup, and, in either case, which is located (x) anywhere in the United States, or (y) anywhere outside of the United States where SemGroup is then engaged in, or proposes as of the Termination Date to engage in to the knowledge of the Executive, any of such activities.

1.19 "Confidential and Proprietary Information" means any non-public information of any kind or nature in the possession of SemGroup or any of its Affiliates, including without limitation, ideas, processes, methods, systems, procedures, designs, innovations, devices, inventions, discoveries, know-how, data, techniques, models, lists of former, present and prospective customers, vendors, suppliers and employees, marketing, business or strategic plans, pricing structure, financial information, research and development information, trade secrets or other subject matter relating to SemGroup' or its Affiliates' products, services, businesses, operations, employees, customers or suppliers, whether in tangible or intangible form, including: (i) any information that gives SemGroup or any of its Affiliates a competitive advantage in the gathering, transportation, storage, distribution, blending and/or marketing of crude oil, natural gas, natural gas liquids, refined petroleum products and/or liquid asphalt cement and other businesses in which SemGroup or an Affiliate is engaged, or (ii) any information obtained by SemGroup or any of its Affiliates from third parties to which SemGroup or an Affiliate owes a duty of confidentiality, or (iii) any information that was learned, discovered, developed, conceived, originated or prepared during or as a result of Executive's performance of any services on behalf of SemGroup or any Affiliate. Notwithstanding the foregoing, "Confidential and Proprietary Information" shall not include: (i) information that is or becomes generally known to the public through no fault of Executive; (ii) information obtained on a non-confidential basis from a third party other than SemGroup or any Affiliate, which third party disclosed such information without breaching any legal, contractual or fiduciary obligation; or (iii) information approved for release by written authorization of SemGroup. For purposes of this Agreement, "Confidential and Proprietary Information" shall include the execution of this Agreement by the Executive and the terms and conditions contained herein.

1.20 "Disability" means any medically determinable physical or mental impairment of Executive where he: (a) is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, or (b) is, by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, receiving income replacement benefits for a period of not less than three months under an accident and health plan covering employees of Executive's Employer. Notwithstanding the forgoing, all determinations of whether an Executive is Disabled shall be made in accordance with Section 409A of the Code.

1.21 "Disqualifying Disaggregation" means the cessation of Executive's employment with SemGroup and/or its Affiliates during the Post-Change Period due to a sale, spin-off, or other disaggregation ("Disaggregation") solely where Executive is employed by the successor in substantially the same position as the position held prior to the Disaggregation, provided the successor assumes all of SemGroup's obligations under this Agreement.

1.22 "Employer" means SemGroup or, if Executive is not employed directly by SemGroup, the Subsidiary that from time to time employs Executive on or after the Agreement Date, and the successor of either (provided, in the case of a Subsidiary, that such successor is also a Subsidiary).

1.23 "ERISA" means the Employee Retirement Income Security Act of 1974, as amended.

1.24 "Exchange Act" means the Securities Exchange Act of 1934, as amended.

1.25 "Good Reason" means a Separation from Service by Executive in accordance with the substantive and procedural provisions of this Section.

(a) Separation from Service by Executive for "Good Reason" means a Separation from Service initiated by Executive on account of any one or more of the following actions or omissions that, unless otherwise specified, occurs during a Post-Change Period:

(i) a material adverse reduction in the nature or scope of Executive's office, position, duties, functions, responsibilities or authority (including reporting responsibilities and authority) during a Post-Change Period from the most significant of those held, exercised and assigned at any time during the 90-day period immediately before the Change Date;

(ii) any reduction in or failure to pay Executive's annual Base Salary at an annual rate not less than 12 times the highest monthly base salary paid or payable to Executive by his Employer in respect of the 12-month period immediately before the Change Date;

(iii) any reduction in the Target Annual Bonus which Executive may earn determined as of the Change Date or failure to pay Executive's Annual Bonus on terms substantially equivalent to those provided to peer executives of the Employer;

(iv) a material reduction of Executive's aggregate compensation and/or aggregate benefits from the amounts and/or levels in effect on the Change Date, unless such reduction is part of a policy applicable to peer executives of the Employer and of any successor entity;

(v) required relocation during a Post-Change Period of more than 50 miles of: (A) Executive's workplace, or (B) the principal offices of the Employer or its successor (if such offices are Executive's workplace), in each case without the consent of Executive; provided, however, in both cases of (A) and (B) of this subsection (v), such new location is farther from Executive's residence than the prior location;

(vi) the failure at any time of a successor to Executive's Employer explicitly to assume and agree to be bound by this Agreement; or

(vii) the giving of a Notice of Consideration pursuant to Section 2.3(b)(ii) and the subsequent failure to terminate Executive for Cause and within a period of 90 days thereafter in compliance with all of the substantive and procedural requirements of Section 2.3.

(b) Notwithstanding anything in this Agreement to the contrary, no act or omission shall constitute grounds for "Good Reason":

(i) Unless Executive gives a Notice of Termination to SemGroup and the Employer 30 days prior to his intent to terminate his employment for Good Reason which describes the alleged act or omission giving rise to Good Reason; and

(ii) Unless such Notice of Termination is given within 90 days of Executive's first actual knowledge of such act or omission; and

(iii) Unless SemGroup or the Employer fails to cure such act or omission within the 30 day period after receiving the Notice of Termination.

(c) No act or omission shall constitute grounds for "Good Reason", if Executive has consented in writing to such act or omission in a document that makes specific reference to this Section.

1.26 "<u>including</u>" means including without limitation.

1.27 "<u>IRS</u>" means the Internal Revenue Service of the United States of America.

1.28 "<u>Notice of Consideration</u>" see Section 2.3(b)(ii).

1.29 "<u>Notice of Termination</u>" means a written notice of a Separation from Service, if applicable, given in accordance with Section 7.7 that sets forth: (a) the specific termination provision in this Agreement relied on by the party giving such notice, (b) in reasonable detail the specific facts and circumstances claimed to provide a basis for such Separation from Service, and (c) if the Termination Date is other than the date of receipt of such Notice of Termination, the Termination Date.

1.30 "<u>Person</u>" means any individual, sole proprietorship, partnership, joint venture, limited liability company, trust, unincorporated organization, association, corporation, institution, public benefit corporation, entity or government instrumentality, division, agency, body or department.

1.31 "Post-Change Period" means the period commencing on the Change Date and ending on the earlier of the Termination Date or the second anniversary of the Change Date.

1.32 "Reorganization Transaction" see clause (c) of the definition of "Change in Control".

1.33 "Restricted Shares" means shares of restricted stock, restricted stock units, deferred stock or similar awards.

1.34 "SEC" means the United States Securities and Exchange Commission.

1.35 "Section" means, unless the context otherwise requires, a section of this Agreement.

1.36 "SemGroup" see the introductory paragraph of this Agreement.

1.37 "SemGroup Incumbent Directors" means, determined as of any date by reference to any baseline date:

(a) the members of the Board on the date of such determination who have been members of the Board since such baseline date, and

(b) the members of the Board on the date of such determination who were appointed or elected after such baseline date and whose election, or nomination for election by stockholders of SemGroup or the Surviving Corporation, as applicable, was approved by a vote or written consent of two-thirds of the directors comprising the SemGroup Incumbent Directors on the date of such vote or written consent, but excluding each such member whose initial assumption of office was in connection with (i) an actual or threatened election contest, including a consent solicitation, relating to the election or removal of one or more members of the Board, (ii) a "tender offer" (as such term is used in Section 14(d) of the Exchange Act), or (iii) a proposed Reorganization Transaction.

1.38 "SemGroup Parties" means SemGroup and Executive's Employer.

1.39 "Separation from Service" means an Executive's termination or deemed termination from employment with SemGroup and its Subsidiaries. For purposes of determining whether a Separation from Service has occurred, the employment relationship is treated as continuing intact while the Executive is on military leave, sick leave or other bona fide leave of absence if the period of such leave does not exceed six months, or if longer, so long as the Executive retains a right to reemployment with his employer under an applicable statute or by contract. For this purpose, a leave of absence constitutes a bona fide leave of absence only if there is a reasonable expectation that the Executive will return to perform services for his employer. If the period of leave exceeds six months and the Executive does not retain a right to reemployment under an applicable statute or by contract, the employment relationship will be deemed to terminate on the first date immediately following such six month period. Notwithstanding the foregoing, if a leave of absence is due to any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than six months, and such impairment causes the Executive to be unable to perform the duties of the Executive's position of employment or any substantially similar position of employment, a 29 month period of absence shall be substituted for such six month period. For purposes of this Agreement, a Separation from Service occurs at the date as of which the facts and circumstances indicate either that, after such date: (A) the Executive and SemGroup reasonably anticipate the Executive will perform no further services for SemGroup and its Subsidiaries (whether as an employee or an independent contractor), or (B) that the level of bona fide services the Executive will perform for SemGroup and its Affiliates (whether as an employee or independent contractor) will permanently decrease to no more than 20% of the average level of bona fide services performed over the immediately preceding 36 month period or, if the Executive has been providing services to SemGroup and its Subsidiaries for less than 36 months, the full period over which the Executive has rendered services, whether as an employee or independent contractor. The determination of whether a Separation from Service has occurred shall be governed by the provisions of Treasury Regulation § 1.409A-1, as amended, taking into account the objective facts and circumstances with respect to the level of bona fide services performed by the Executive after a certain date.

1.40 "Severance Period" see Section 2.1(c).

1.41 "Stock Options" means stock options, stock appreciation rights or similar awards.

1.42 "Subsidiary" means a corporation, trade or business, if it and SemGroup are members of a controlled group of corporations as defined in Code Section 414(b) or under common control as defined under Code Section 414(c); the standard of control under Code Sections 414(b) and 414(c) shall be deemed to be "at least 80%" and all determinations shall be made in accordance with Code Section 409A and the applicable guidance thereunder.

1.43 "Surviving Corporation" means the parent corporation resulting from a Reorganization Transaction or, if securities representing at least 50% of the aggregate voting power of all Voting Securities of a corporation affected by a Change in Control, which is not a Reorganization Transaction, are directly or indirectly owned by another corporation, such other corporation.

1.44 "Target Annual Bonus" means, as of any date, the amount equal to the product of Executive's Base Salary determined as of such date multiplied by the percentage of such Base Salary to which Executive would have been entitled immediately prior to such date under any Annual Bonus arrangement for the fiscal year for which the Annual Bonus is awarded if the performance goals established pursuant to such Annual Bonus were achieved at the 100% level as of the end of the fiscal year; provided, however, that if Executive's Annual Bonus is discretionary and no 100% target level is formally established either under the Annual Bonus arrangement or otherwise, Executive's "Target Annual Bonus" shall mean the amount equal to 100% of Executive's Base Salary.

1.45 "Taxes" means federal, state, local and other income, employment and other taxes.

1.46 "Termination Date" means the date of the receipt of the Notice of Termination by Executive (if such notice is given by Executive's Employer) or by Executive's Employer (if such notice is given by Executive), or any later date, not more than 30 days after the giving of such notice, specified in such notice; provided, however, that:

(a) if Executive's employment is terminated by reason of death or Disability, the Termination Date shall be the date of Executive's death or the date of deemed termination of employment due to Disability, as applicable, regardless of whether a Notice of Termination has been given; and

(b) if no Notice of Termination is given, the Termination Date shall be the last date on which Executive is employed by an Employer; and

(c) for purposes of Article IV (Restrictive Covenants) if the Executive does not have a Separation from Service, the Termination Date shall be the later of the date the entity that employs Executive ceases to be a Subsidiary, or, after a Disaggregation (as defined in Section 1.21), the date Executive's employment with the successor business unit terminates, whether such termination is initiated by such successor or by Executive.

1.47 "Voting Securities" of a corporation means securities of such corporation that are entitled to vote generally in the election of directors of such corporation.

1.48 "Work Product" means any and all work product, including, but not limited to, documentation, tools, templates, processes, procedures, discoveries, inventions, innovations, technical data, concepts, know-how, methodologies, methods, drawings, prototypes, trade secrets, notebooks, reports, findings, business plans, recommendations and memoranda of every description, that Executive makes, conceives, discovers or develops alone or with others during the course of Executive's employment with SemGroup or during the one year period following Executive's Termination Date (whether or not protectable upon application by copyright, patent, trademark, trade secret or other proprietary rights).

1.49 "Restricted Units" means restricted common units representing limited partner interests of Rose Rock Midstream, L.P., a Delaware limited partnership, or similar awards.

1.50 "Performance Shares" means Restricted Shares, the value of which at the time they are payable is determined as a function of the extent to which corresponding performance criteria have been satisfied, or similar awards.

1.51 "Government Agency" means any federal, state or local governmental agency or commission.

ARTICLE II

SEMGROUP'S OBLIGATIONS UPON SEPARATION FROM SERVICE

2.1 If By Executive for Good Reason or By an Employer Other Than for Cause, Disability, Death or Disqualifying Disaggregation During the Post-Change Period. If Executive has a Separation from Service for Good Reason or there is an Employer-initiated Separation from Service of the Executive for any reason other than Cause, Disability, Death or a Disqualifying Disaggregation during the Post-Change Period, then in addition to payment of all Accrued Obligations, which shall be payable no later than 10 business days after the Termination Date, SemGroup’s and the Employer’s sole obligations to Executive under this Article II shall be as follows:

(a) Severance Payments. Executive shall be paid a lump-sum cash amount equal to the sum of the following, on the first business day following six months after Executive's Separation from Service:

(i) Annual Bonus for Fiscal Year Prior to Year of Termination. If the Termination Date occurs after the end of a fiscal year but before the Annual Bonus with respect to such fiscal year is fully paid out, the Annual Bonus for such prior fiscal year shall be paid to Executive, but the payment shall be reduced (but not below zero) by the amount of any Annual Bonus previously paid to Executive with respect to such prior fiscal year; and

(ii) Multiple of Salary and Bonus. An amount equal to two (2) times the sum of: (A) Base Salary plus (B) the Target Annual Bonus, each determined as of the Termination Date; provided, however, that any reduction in Executive’s Base Salary or Target Annual Bonus that would qualify as Good Reason shall be disregarded for this purpose.

(b) Equity Awards. All of Executive’s equity awards then outstanding shall only vest and payout in accordance with the applicable award agreements for such equity awards, including, but not limited to, Stock Options, Restricted Shares, Restricted Units and Performance Shares.

(c) Continuation of Welfare Benefits. During the lesser of the period during which Executive or a qualifying beneficiary (as defined in Section 607 of ERISA) has in effect an election for post-termination continuation coverage or conversion rights to welfare benefits under applicable law, including Section 4980 of the Code (“COBRA”), or the period ending on the 18-month anniversary of the Termination Date (“Severance Period”), Executive (or, if applicable, the qualifying beneficiary) shall be entitled to such coverage at an out-of-pocket premium cost that does not exceed the out-of-pocket premium cost applicable to similarly situated active employees (and their eligible dependents); provided, however, that if Executive is eligible to retiree benefits provided under any welfare benefit plan, program, policy, practice or procedure of the SemGroup Parties, Executive shall be entitled to receive such retiree benefits in lieu of the COBRA coverage provided by this Section 2.1(c).

(d) Outplacement. Executive shall be reimbursed for reasonable fees and costs for outplacement services incurred by Executive within six months after the Separation from Service, promptly upon presentation of reasonable documentation of such fees and costs, subject to a maximum of $10,000. All requests of Executive for reimbursement must be submitted to SemGroup within one year of Separation from Service and SemGroup shall make the reimbursement of reasonable requests no later than 30 days after such request, but in all events within 15 months of Separation from Service.

(e) Directors' and Officers' Liability Insurance. For a period of six years after the Termination Date (or for any known longer applicable statute of limitations period), the Executive shall be entitled to coverage under a directors' and officers' liability insurance policy in an amount no less than, and on the same terms as those provided to peer executive officers and directors of the Employer.

2.2 If By an Employer Other Than for Cause, Disability or Death Prior to the Post-Change Period. If there is an Employer-initiated Separation from Service of the Executive for any reason other than Cause, Disability or Death prior to the Post-Change Period, then in addition to payment of all Accrued Obligations, which shall be payable no later than 30 business days after the Termination Date, SemGroup's and the Employer's sole obligations to Executive under this Article II shall be as follows:

(a) Severance Payments. Executive shall be paid a lump-sum cash amount equal to the sum of the following, on the first business day following six months after Executive's Separation from Service:

(i) Annual Bonus for Fiscal Year Prior to Year of Termination. If the Termination Date occurs after the end of a fiscal year but before the Annual Bonus with respect to such fiscal year is fully paid out, the Annual Bonus for such prior fiscal year shall be paid to Executive, but the payment shall be reduced (but not below zero) by the amount of any Annual Bonus previously paid to Executive with respect to such prior fiscal year; and

(ii) Multiple of Salary and Bonus. An amount equal to one (1) times the sum of: (A) Base Salary plus (B) the Target Annual Bonus, each determined as of the Termination Date.

(b) Equity Awards. All of Executive's equity awards then outstanding shall only vest and payout in accordance with the applicable award agreements for such equity awards, including, but not limited to, Stock Options, Restricted Shares, Restricted Units and Performance Shares.

(c) Outplacement. Executive shall be reimbursed for reasonable fees and costs for outplacement services incurred by Executive within six months after the Separation from Service, promptly upon presentation of reasonable documentation of such fees and costs, subject to a maximum of $10,000. All requests of Executive for reimbursement must be submitted to SemGroup within one year of Separation from Service and SemGroup shall make the reimbursement of reasonable requests no later than 30 days after such request, but in all events within 15 months of Separation from Service.

(d) Directors' and Officers' Liability Insurance. For a period of six years after the Termination Date (or for any known longer applicable statute of limitations period), the Executive shall be entitled to coverage under a directors' and officers' liability insurance policy in an amount no less than, and on the same terms as those provided to peer executive officers and directors of the Employer.

2.3 If by the Employer for Cause.

(a) Termination for Cause. If the Executive has a Separation from Service for Cause, the SemGroup Parties' sole obligation to Executive under this Article II shall be to pay Executive a lump-sum cash amount equal to all Accrued Obligations determined as of the Termination Date.

(b) Change in Control: Procedural Requirements for Termination for Cause. For any Separation from Service for Cause during any part of a Post-Change Period, the SemGroup Parties shall strictly observe each of the following substantive and procedural provisions:

(i) The Board shall call a meeting for the stated purpose of determining whether Executive's acts or omissions satisfy the requirements of the definition of "Cause" and, if so, whether to terminate Executive's employment for Cause.

(ii) Not less than 15 days prior to the date of such meeting, the Board shall provide or cause to be provided Executive and each member of the Board written notice (a "Notice of Consideration") of: (A) a detailed description of the acts or omissions alleged to constitute Cause, (B) the date of such meeting of the Board, and (C) Executive's rights under clauses (iii) and (iv) below.

(iii) Executive shall have the opportunity to present to the Board a written response to the Notice of Consideration, but shall not have the right to appear in person or by counsel before the Board.

(iv) Executive's employment may be terminated for Cause only if: (A) the acts or omissions specified in the Notice of Consideration did in fact occur and such actions or omissions do constitute Cause as defined in this Agreement, (B) the Board, by affirmative vote of a simple majority of its members, makes a specific determination to such effect and to the effect that Executive's employment should be terminated for Cause ("Cause Determination"), and (C) SemGroup thereafter provides Executive with a Notice of Termination that specifies in specific detail the basis of such Separation from Service for Cause and which Notice shall be consistent with the reasons set forth in the Notice of Consideration.

(v) In the event that the existence of Cause shall become an issue in any action or proceeding between Executive, on the one hand, and any one or more of the SemGroup Parties, on the other hand, the Cause Determination shall be final and binding on all parties, except as provided in Section 2.3(c) below.

Nothing in this Section 2.3(b) shall preclude the Board, by majority vote, from suspending Executive from his duties, with pay, at any time.

(c) Change in Control: Standard of Review. In the event that the existence of Cause during a Post-Change Period shall become an issue in any action or proceeding between Executive, on the one hand, and any one or more of the SemGroup Parties on the other hand, the SemGroup Parties, as applicable, shall, notwithstanding the Cause Determination, have the burden of establishing that the actions or omissions specified in the Notice of Consideration did in fact occur and do constitute Cause and that the SemGroup Parties have satisfied all applicable substantive and procedural requirements of this Section.

2.4 If by an Executive Other Than for Good Reason. If Executive has a Separation from Service initiated by the Executive other than for Good Reason, Disability or death, the sole obligation of the SemGroup Parties to Executive under this Article II shall be to pay Executive a lump-sum cash amount equal to all Accrued Obligations determined as of the Termination Date.

2.5 If by Death or Disability. If Executive dies or if Executive has a Separation from Service by reason of Executive's Disability, the SemGroup Parties' sole obligation to Executive under this Article II shall be to pay Executive a lump-sum cash amount equal to all Accrued Obligations determined as of the Termination Date.

2.6 Waiver and Release. Notwithstanding anything herein to the contrary, in the event that Executive's employment terminates pursuant to Section 2.1 or 2.2, no SemGroup Party shall have any obligation to Executive under Sections 2.1(a)-(e) or 2.2(a)-(d), as the case may be, unless and until Executive executes and delivers to SemGroup within 60 days after Separation from Service a release and waiver of SemGroup, the Employer and Affiliates, in substantially the same form as attached hereto as Exhibit A, or as otherwise mutually acceptable.

2.7 Breach of Covenants. If a court determines that Executive has breached any non-competition, non-solicitation, non-disparagement, confidential information or intellectual property covenant entered into at any time between Executive (on the one hand) and SemGroup, the Employer, or any Affiliate (on the other hand), including the Restrictive Covenants in Article IV, (a) no SemGroup Party shall have any obligation to pay or provide any severance or benefits under Article II, (b) all of Executive's unexercised Stock Options shall terminate as of the date of the breach, (c) all of Executive's unvested Restricted Shares, Restricted Units and Performance Shares shall be forfeited as of the date of the breach, (d) Executive shall reimburse a SemGroup Party for any amount already paid under Article II, and (e) Executive shall repay to SemGroup an amount equal to the aggregate "spread" (as defined below) on all Stock Options, if any, exercised in the one year period prior to the first date on which Executive breached any such covenant ("Breach Date"). For purposes of this Section 2.7, "spread" in respect of any Stock Option shall mean the product of the number of shares as to which such Stock Option has been exercised during the one year period prior to the Breach Date multiplied by the difference between the closing price of the Class A common stock on the exercise date (or if the Class A common stock did not trade on the exercise date on the principal stock exchange on which the Class A common stock is then listed or if not so listed in the over-the-counter market, the most recent date on which the Class A common stock did so trade) and the exercise price of the Stock Options.

2.8 Code Section 280G Cutback. Notwithstanding any provision of this Agreement to the contrary, if any amount or benefit to be paid under Section 2.1 of this Agreement would be an "excess parachute payment" (within the meaning of Section 280G of the Code, or any successor provision thereto) but for the application of this sentence, then the payment to be paid or provided under this Agreement will be reduced to the minimum extent necessary (but in no event to less than zero) so that no portion of any such payment, as so reduced, constitutes an excess parachute payment. Whether requested by Executive or the Company, the determination of whether any reduction in such payment or benefit to be provided under this Agreement or otherwise is required pursuant to the preceding sentence will be made at the expense of the Company by the Company's independent accountants. The fact that Executive's right to payment or benefit may be reduced by reason of the limitations contained in this Section 2.8 will not of itself limit or otherwise affect any rights Executive has other than pursuant to this Agreement. In the event that any payment or benefit intended to be provided under this Agreement is required to be reduced pursuant to this Section 2.8, the Company will reduce Executive's payment and/or benefit, to the extent required, in the following order: (i) the lump sum payment described in Section 2.1(a), (ii) the health continuation benefits set forth in Section 2.1(c), and (iii) the outplacement benefit described in Section 2.1(d).

ARTICLE III

NO SET-OFF OR MITIGATION

3.1 No Set-off by SemGroup. Executive's right to receive when due the payments and other benefits provided for under this Agreement is absolute, unconditional and subject to no set-off, counterclaim, recoupment, or other claim, right or action that any SemGroup Party may have against Executive or others, except as expressly provided in this Section or as specifically otherwise provided in this Agreement. Notwithstanding the prior sentence, any SemGroup Party shall have the right to deduct any amounts outstanding on any loans or other extensions of credit to Executive from a SemGroup Party from Executive's payments and other benefits (if any) provided for under this Agreement. Notwithstanding any provision of this Agreement to the contrary, Executive acknowledges that any incentive-based compensation paid to the Executive under this Agreement may be subject to recovery by a SemGroup Party under any clawback policy which a SemGroup Party may adopt from time to time, including, without limitation, any policy which a SemGroup Party may be required to adopt under Section 954 of the Dodd-Frank Wall Street Reform and Consumer Protection Act and the rules and regulations of the SEC thereunder or the requirements of any national securities exchange on which a SemGroup Party's common stock may be listed. The Executive agrees to promptly return any such incentive-based compensation which a SemGroup Party determines it is required to recover from the Executive under any such clawback policy. Time is of the essence in the performance by the SemGroup Parties of their respective obligations under this Agreement.

3.2 No Mitigation. Executive shall not have any duty to mitigate the amounts payable by any SemGroup Party under this Agreement by seeking new employment or self-employment following termination. Except as specifically otherwise provided in this Agreement, all amounts payable pursuant to this Agreement shall be paid without reduction regardless of any amounts of salary, compensation or other amounts which may be paid or payable to Executive as the result of Executive's employment by another employer or self-employment.

ARTICLE IV

RESTRICTIVE COVENANTS

4.1 Confidential and Proprietary Information. The Executive acknowledges that in the course of performing services for SemGroup and its Affiliates, Executive may create (alone or with others), learn of, have access to, or receive Confidential and Proprietary Information (as defined in Section 1.19). The Executive recognizes that all such Confidential and Proprietary Information is the sole and exclusive property of SemGroup and its Affiliates or of third parties to which SemGroup or an Affiliate owes a duty of confidentiality, that it is SemGroup's policy to safeguard and keep confidential all such Confidential and Proprietary Information, and that disclosure of Confidential and Proprietary Information to an unauthorized third party would cause irreparable damage to SemGroup and its Affiliates. Executive agrees that, except as required by the duties of Executive's employment with SemGroup or any of its Affiliates and except in connection with enforcing Executive's rights under this Agreement or if compelled by a court or governmental agency, in each case provided that prior written notice is given to SemGroup, Executive will not, without the written consent of SemGroup, willfully disseminate or otherwise disclose, directly or indirectly, any Confidential and Proprietary Information disclosed to Executive or otherwise obtained by Executive during his employment with SemGroup or its Affiliates, and will take all necessary precautions to prevent disclosure, to any unauthorized individual or entity (whether or not such individual or entity is employed or engaged by, or is otherwise affiliated with, SemGroup or any Affiliate), and will use the Confidential and Proprietary Information solely for the benefit of SemGroup and its Affiliates and will not use the Confidential and Proprietary Information for the benefit of any other Person nor permit its use for the benefit of Executive. These obligations shall continue during and after the termination of Executive's employment for any reason and for so long as the Confidential and Proprietary Information remains Confidential and Proprietary Information. Pursuant to Section 7 of the Defend Trade Secrets Act of 2016 (which added 18 U.S.C. § 1833(b) to the United States Code), Executive acknowledges that Executive shall not have criminal or civil liability under any federal or state trade secret law for the disclosure of a trade secret that (a) is made (i) in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney and (ii) solely for the purpose of reporting or investigating a suspected violation of law; or (b) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal. Further, if Executive files a lawsuit for retaliation by Employer for reporting a suspected violation of law, Executive may disclose the trade secret to the attorney of Executive and use the trade secret information in the court proceeding, if Executive files any document containing the trade secret under seal and does not disclose the trade secret, except pursuant to court order. Nothing in this Agreement is intended to conflict with 18 U.S.C. § 1833(b) or create liability for disclosures of trade secrets that are expressly allowed by such Section.

4.2 Non-Competition. During the period beginning on the Agreement Date and ending on the first anniversary of the Termination Date, regardless of the reason for Executive's Separation from Service, Executive agrees that without the written consent of SemGroup Executive shall not at any time, directly or indirectly, in any capacity:

(a) engage or participate in, become employed by, serve as a director of, or render advisory or consulting or other services in connection with, any Competitive Business; provided, however, that after Executive's Separation from Service, this Section 4.2 shall not preclude Executive from: (i) being an employee of, or consultant to, any business unit of a Competitive Business if: (A) such business unit does not qualify as a Competitive Business in its own right, and (B) Executive does not have any direct or indirect involvement in, or responsibility for, any operations of such Competitive Business that cause it to qualify as a Competitive Business, or (ii) with the approval of SemGroup, being a consultant to, an advisor to, a director of, or an employee of a Competitive Business; or

(b) make or retain any financial investment, whether in the form of equity or debt, or own any interest, in any Competitive Business. Nothing in this subsection (b) shall, however, restrict Executive from making an investment in any Competitive Business if such investment does not: (i) represent more than 1% of the aggregate market value of the outstanding capital stock or debt (as applicable) of such Competitive Business, (ii) give Executive any right or ability, directly or indirectly, to control or influence the policy decisions or management of such Competitive Business, or (iii) create a conflict of interest between Executive's duties to SemGroup and its Affiliates or under this Agreement and his interest in such investment.

4.3 Non-Solicitation. During the period beginning on the Agreement Date and ending on the first anniversary of the Termination Date, regardless of the reason for Executive's Separation from Service, Executive shall not, directly or indirectly:

(a) other than in connection with the good-faith performance of his duties as an officer of SemGroup or its Affiliates, cause or attempt to cause any employee, director or consultant of SemGroup or an Affiliate to terminate his relationship with SemGroup or an Affiliate;

(b) solicit the employment or engagement as a consultant or adviser, of any employee of SemGroup or an Affiliate (other than by SemGroup or its Affiliates), or cause or attempt to cause any Person to do any of the foregoing;

(c) establish (or take preliminary steps to establish) a business with, or cause or attempt to cause others to establish (or take preliminary steps to establish) a business with, any employee of SemGroup or an Affiliate, if such business is or will be a Competitive Business; or

(d) solicit the purchase or sale of goods, services or combination of goods and services from the established customers of SemGroup or an Affiliate. For the purpose of this provision, "established customers" shall be deemed to include any entity or person which has been a customer or supplier of SemGroup or an Affiliate within twelve (12) months of the date of cessation of Executive's employment with SemGroup or an Affiliate.

4.4 Intellectual Property.

(a) During the period of Executive's employment with SemGroup or any Affiliate, and thereafter upon SemGroup's request, regardless of the reason for Executive's Separation from Service, Executive shall disclose immediately to SemGroup all Work Product that: (i) relates to the business of SemGroup or any Affiliate or any customer or supplier to SemGroup or an Affiliate or any of the products or services being developed, manufactured, sold or otherwise provided by SemGroup or an Affiliate or that may be used in relation therewith; or (ii) results from tasks or projects assigned to Executive by SemGroup or an Affiliate; or (iii) results from the use of the premises or personal property (whether tangible or intangible) owned, leased or contracted for by SemGroup or an Affiliate. Executive agrees that any Work Product shall be the property of SemGroup and, if subject to copyright, shall be considered a "work made for hire" within the meaning of the Copyright Act of 1976, as amended. If and to the extent that any such Work Product is not a "work made for hire" within the meaning of the Copyright Act of 1976, as amended, Executive hereby assigns, and agrees to assign, to SemGroup all right, title and interest in and to the Work Product and all copies thereof, and all copyrights, patent rights, trademark rights, trade secret rights and all other proprietary and intellectual property rights in the Work Product, without further consideration, free from any claim, lien for balance due, or rights of retention thereto on the part of Executive.

(b) Notwithstanding the foregoing, SemGroup agrees and acknowledges that the provisions of Section 4.4(a) relating to ownership and disclosure of Work Product do not apply to any inventions or other subject matter for which no equipment, supplies, facility, or trade secret information of SemGroup or an Affiliate was used and that are developed entirely on Executive's own time, unless: (i) the invention or other subject matter relates: (a) to the business of SemGroup or an Affiliate, or (b) to the actual or demonstrably anticipated research or development of SemGroup or any Affiliate, or (ii) the invention or other subject matter results from any work performed by Executive for SemGroup or any Affiliate.

(c) Executive agrees that, upon disclosure of Work Product to SemGroup, Executive will, during his employment by SemGroup or an Affiliate and at any time thereafter, at the request and cost of SemGroup, execute all such documents and perform all such acts as SemGroup or an Affiliate (or their respective duly authorized agents) may reasonably require: (i) to apply for, obtain and vest in the name of SemGroup alone (unless SemGroup otherwise directs) letters patent, copyrights or other intellectual property protection in any country throughout the world, and when so obtained or vested to renew and restore the same; and (ii) to prosecute or defend any opposition proceedings in respect of such applications and any opposition proceedings or petitions or applications for revocation of such letters patent, copyright or other intellectual property protection, or otherwise in respect of the Work Product.

(d) In the event that SemGroup is unable, after reasonable effort, to secure Executive's execution of such documents as provided in Section 4.4(c), whether because of Executive's physical or mental incapacity or for any other reason whatsoever, Executive hereby irrevocably designates and appoints SemGroup and its duly authorized officers and agents as his agent and attorney-in-fact, to act for and on his behalf to execute and file any such application or applications and to do all other lawfully permitted acts to further the prosecution, issuance and protection of letters patent, copyright and other intellectual property protection with the same legal force and effect as if personally executed by Executive.

4.5 Non-Disparagement.

(a) Executive agrees not to make, or cause to be made, any statement, observation or opinion, or communicate any information (whether oral or written, directly or indirectly) that: (i) accuses or implies that SemGroup and/or any of its Affiliates, together with their respective present or former officers, directors, partners, stockholders, employees and agents, and each of their predecessors, successors and assigns, engaged in any wrongful, unlawful or improper conduct, whether relating to Executive's employment (or the termination thereof), the business or operations of SemGroup, or otherwise; or (ii) disparages, impugns or in any way reflects adversely upon the business or reputation of SemGroup and/or any of its Affiliates, together with their respective present or former officers, directors, partners, stockholders, employees and agents, and each of their predecessors, successors and assigns.

(b) SemGroup agrees not to authorize any statement, observation or opinion, or communicate any information (whether oral or written, direct or indirect) that: (i) accuses or implies that Executive engaged in any wrongful, unlawful or improper conduct relating to Executive's employment or termination thereof with SemGroup, or otherwise; or (ii) disparages, impugns or in any way reflects adversely upon the reputation of Executive.

(c) Notwithstanding anything contained herein to the contrary, nothing herein shall be deemed to preclude or limit (i) Executive or SemGroup from providing truthful testimony or information pursuant to subpoena, court order or other similar legal or regulatory process, provided, that to the extent permitted by law, Executive will promptly inform SemGroup of any such obligation prior to participating in any such proceedings or (ii) Executive from (A) filing a charge or complaint with any Government Agency, (B) communicating with any Government Agency or otherwise participating in any investigation or proceeding that may be conducted by any Government Agency, including providing documents or other information, without notice to SemGroup, or (C) receiving an award for information provided to any Government Agency.

4.6 Reasonableness of Restrictive Covenants.

(a) Executive acknowledges that the covenants contained in this Agreement are reasonable in the scope of the activities restricted, the geographic area covered by the restrictions, and the duration of the restrictions, and that such covenants are reasonably necessary to protect SemGroup's legitimate interests in its Confidential and Proprietary Information, its proprietary work, and in its relationships with its employees, customers, suppliers and agents.

(b) SemGroup has, and Executive has had an opportunity to, consult with their respective legal counsel and to be advised concerning the reasonableness and propriety of such covenants. Executive acknowledges that his observance of the covenants contained herein will not deprive Executive of the ability to earn a livelihood or to support his dependents.

(c) Executive understands he is bound by the terms of this Article IV, whether or not he receives severance payments under this Agreement or otherwise.

4.7 Right to Injunction: Survival of Undertakings.

(a) In recognition of the confidential nature of the Confidential and Proprietary Information, and in recognition of the necessity of the limited restrictions imposed by this Agreement, Executive and SemGroup agree that it would be impossible to measure solely in money the damages which SemGroup would suffer if Executive were to breach any of his obligations hereunder. Executive acknowledges that any breach of any provision of this Agreement would irreparably injure SemGroup. Accordingly, Executive agrees that if he breaches any of the provisions of this Agreement, SemGroup shall be entitled, in addition to any other remedies to which SemGroup may be entitled under this Agreement or otherwise, to an injunction to be issued by a court of competent jurisdiction, to restrain any breach, or threatened breach, of any provision of this Agreement without the necessity of posting a bond or other security therefor, and Executive hereby waives any right to assert any claim or defense that SemGroup has an adequate remedy at law for any such breach.

(b) If a court determines that any covenant included in this Article IV is unenforceable in whole or in part because of such covenant's duration or geographical or other scope, such court shall have the power to modify the duration or scope of such provision, as the case may be, so as to cause such covenant as so modified to be enforceable.

(c) All of the provisions of this Agreement shall survive any Separation from Service of Executive, without regard to the reasons for such termination. Notwithstanding Section 2.7, in addition to any other rights it may have, neither SemGroup nor any Affiliate shall have any obligation to pay or provide severance or other benefits (except as may be required under ERISA) after the Termination Date if Executive has materially breached any of Executive's obligations under this Agreement.

ARTICLE V

NON-EXCLUSIVITY OF RIGHTS

5.1 Waiver of Certain Other Rights. To the extent that Executive shall have received severance payments or other severance benefits under any other plan, program, policy, practice or procedure or agreement of any SemGroup Party prior to receiving severance payments or other severance benefits pursuant to Article II, the severance payments or other severance benefits under such other plan, program, policy, practice or procedure or agreement shall reduce (but not below zero) the corresponding severance payments or other benefits to which Executive shall be entitled under Article II. To the extent that Executive accepts payments made pursuant to Article II, he shall be deemed to have waived his right to receive a corresponding amount of future severance payments or other severance benefits under any other plan, program, policy, practice or procedure or agreement of any SemGroup Party.

5.2 Other Rights. Except as expressly provided in Section 5.1 and as provided in the Recitals to this Agreement, this Agreement shall not prevent or limit Executive's continuing or future participation in any benefit, bonus, incentive or other plan, program, policy, practice or procedure provided by a SemGroup Party and for which Executive may qualify, nor shall this Agreement limit or otherwise affect such rights as Executive may have under any other agreements with a SemGroup Party. Amounts that are vested benefits or that Executive is otherwise entitled to receive under any plan, program, policy, practice or procedure and any other payment or benefit required by law at or after the Termination Date shall be payable in accordance with such plan, program, policy, practice or procedure or applicable law except as expressly modified by this Agreement.

5.3 No Right to Continued Employment. Nothing in this Agreement shall guarantee the right of Executive to continue in employment, and SemGroup and the Employer retain the right to terminate Executive's employment at any time for any reason or for no reason.

ARTICLE VI

CLAIMS PROCEDURE

6.1 Filing a Claim.

(a) Each individual eligible for benefits under this Agreement ("Claimant") may submit his application for benefits ("Claim") to SemGroup (or to such other person as may be designated by SemGroup) in writing in such form as is provided or approved by SemGroup. A Claimant shall have no right to seek review of a denial of benefits, or to bring any action in any court to enforce a Claim, prior to his filing a Claim and exhausting his rights to review under Sections 6.1 and 6.2.

(b) When a Claim has been filed properly, it shall be evaluated and the Claimant shall be notified of the approval or the denial of the Claim within 30 days after the receipt of such Claim. A Claimant shall be given a written notice in which the Claimant shall be advised as to whether the Claim is granted or denied, in whole or in part. If a Claim is denied, in whole or in part, the notice shall contain: (i) the specific reasons for the denial, (ii) references to pertinent provisions of this Agreement on which the denial is based, (iii) a description of any additional material or information necessary to perfect the Claim and an explanation of why such material or information is necessary, (iv) the Claimant's right to seek review of the denial and a description of the procedures for such review, and (v) a statement regarding Claimant's right to bring a civil action under Section 502(a) of ERISA following an adverse decision on appeal.

6.2 Review of Claim Denial. If a Claim is denied, in whole or in part, or if a Claim is neither approved nor denied within the 30-day period specified Section 6.1(b), the Claimant (or his authorized representative) shall have the right at any time to: (a) request that SemGroup (or such other person as shall be designated in writing by SemGroup) review the denial or the failure to approve or deny the Claim, (b) review pertinent documents, and (c) submit issues and comments in writing. Within 30 days after such a request is received, SemGroup shall complete its review and give the Claimant written notice of its decision. Upon request and without charge, the Claimant will be provided reasonable access to and copies of all documents, records and other information relevant to the claim. SemGroup shall include in its notice to Claimant: (i) the specific reasons for its decision, (ii) references to provisions of this Agreement on which its decision is based, (iii) a statement that the Claimant is entitled to receive, upon request and free of charge, reasonable access to and copies of all documents, records and other information relevant to the claim, and (iv) a statement regarding the Claimant's right to bring a civil action under ERISA Section 502(a) within 180 days of receipt of notice of denial on appeal.

ARTICLE VII

MISCELLANEOUS

7.1 No Assignability. This Agreement is personal to Executive and without the prior written consent of SemGroup shall not be assignable by Executive otherwise than by will or the laws of descent and distribution. This Agreement shall inure to the benefit of and be enforceable by Executive's legal representatives.

7.2 Successors. This Agreement shall inure to the benefit of and be binding upon SemGroup and its successors and assigns. SemGroup will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business or assets of SemGroup (or the Employer during any Post-Change Period) to assume expressly and agree to perform this Agreement in the same manner and to the same extent that SemGroup (or, if applicable, the Employer) would be required to perform it if no such succession had taken place. Any successor to the business or assets of SemGroup (or any Employer) which assumes or agrees to perform this Agreement by operation of law, contract, or otherwise shall be jointly and severally liable with SemGroup (or the Employer) under this Agreement as if such successor were SemGroup (or the Employer). If Executive's employment is transferred from SemGroup to a Subsidiary, or from a Subsidiary to SemGroup or another Subsidiary, the rights and obligations of the Employer (determined prior to such transfer) shall automatically become the rights and obligations of the Employer (determined immediately following such transfer), without requiring the consent of Executive.

7.3 Payments to Beneficiary. If Executive dies before receiving amounts to which Executive is entitled under this Agreement, such amounts shall be paid in a lump sum to one or more beneficiaries designated in writing by Executive (each, a “Beneficiary”). An Executive’s Beneficiary for receipt of any payment made under this Agreement in the event of Executive’s death shall be the person(s) designated as the Executive’s Beneficiary(ies) for life insurance benefits under SemGroup’s fully company-paid life insurance benefits plan unless Executive designates a different Beneficiary on the form prescribed by SemGroup. If no Beneficiary is designated, Executive’s estate shall be his Beneficiary.

7.4 Non-Alienation of Benefits. Benefits payable under this Agreement shall not be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, charge, garnishment, execution or levy of any kind, either voluntary or involuntary, before actually being received by Executive, and any such attempt to dispose of any right to benefits payable under this Agreement shall be void.

7.5 Severability. If any one or more Articles, Sections or other portions of this Agreement are declared by any court or governmental authority to be unlawful or invalid, such unlawfulness or invalidity shall not serve to invalidate any Article, Section or other portion not so declared to be unlawful or invalid. Any Article, Section or other portion so declared to be unlawful or invalid shall be construed so as to effectuate the terms of such Article, Section or other portion to the fullest extent possible while remaining lawful and valid.

7.6 Amendments. This Agreement shall not be amended or modified except by written instrument executed by SemGroup and Executive; provided however that notwithstanding the terms of this Agreement to the contrary, the terms of this Agreement shall be administered in such a way to comply with Code Section 409A as reasonably deemed appropriate by SemGroup; provided further however that notwithstanding anything to the contrary herein, SemGroup shall have the unilateral right to modify or amend this Agreement as it reasonably deems appropriate related to compliance with Code Section 409A. The parties to this Agreement intend that this Agreement meet the requirements of Code Section 409A and recognize that it may be necessary to modify this Agreement to reflect guidance under Code Section 409A issued by the Internal Revenue Service.

7.7 Notices. All notices and other communications under this Agreement shall be in writing and delivered by hand, by nationally-recognized delivery service that promises overnight delivery, or by first-class registered or certified mail, return receipt requested, postage prepaid, addressed as follows:

If to Executive:

to Executive at his most recent home address on file with SemGroup.

If to SemGroup or the Employer:

SemGroup Corporation
Two Warren Place
6120 S. Yale Avenue, Suite 1500
Tulsa, OK 74136
Attention: General Counsel

or to such other address as either party shall have furnished to the other in writing. Notice and communications shall be effective when actually received by the addressee.

7.8 Joint and Several Liability. In the event that the Employer incurs any obligation to Executive pursuant to this Agreement, such Employer, SemGroup and each Subsidiary, if any, of which such Employer is a subsidiary shall be jointly and severally liable with such Employer for such obligation.

7.9 Counterparts. This Agreement may be executed in 2 or more counterparts, each of which shall be deemed an original, but all of which together constitute one and the same instrument.

7.10 Governing Law. This Agreement shall be interpreted and construed in accordance with the laws of the State of Delaware, without regard to its choice of law principles, except to the extent such law is preempted by ERISA or other applicable federal law.

7.11 Captions. The captions of this Agreement are not a part of the provisions hereof and shall have no force or effect.

7.12 Rules of Construction. Reference to a specific law shall include such law, any valid regulation promulgated thereunder, and any comparable provision of any future legislation amending, supplementing or superseding such section.

7.13 Number and Gender. Wherever appropriate, the singular shall include the plural, the plural shall include the singular, and the masculine shall include the feminine.

7.14 Tax Withholding. SemGroup may withhold from any amounts payable under this Agreement or otherwise payable to Executive any Taxes SemGroup determines to be required under applicable law or regulation and may report all such amounts payable to such authority as is required by any applicable law or regulation.

7.15 Entire Agreement. This Agreement and the documents expressly referred to herein contain the entire understanding of SemGroup and Executive with respect to severance or benefits in relation to a Change in Control.

IN WITNESS WHEREOF, Executive and a duly authorized representative of SemGroup Corporation have executed this Severance Agreement this ______ day of ______________, 20____.

[EXECUTIVE]

____

SemGroup Corporation, acting on behalf of itself and its Subsidiaries and Affiliates

By: ________________________
Carlin G. Conner
President and CEO

Exhibit A

SemGroup Corporation
Waiver And Release
Agreement

This agreement, waiver and release (this "Agreement"), made as of the ___ day of ________________, 20___ (the "Effective Date"), is made by and among SemGroup Corporation (together with all successors thereto, "Company") and _________________ ("Executive").

WHEREAS, the Executive and the Company have entered into that certain SemGroup Corporation Severance Agreement ("Severance Agreement");

NOW THEREFORE, in consideration for receiving benefits and severance under the Severance Agreement and in consideration of the representations, covenants and mutual promises set forth in this Agreement, the parties agree as follows:

1. Release. Except with respect to all of the Company's obligations under the Severance Agreement, the Executive, and Executive's heirs, executors, assigns, agents, legal representatives, and personal representatives, hereby releases, acquits and forever discharges the Company, its agents, subsidiaries, affiliates, operating units and their respective officers, directors, agents, servants, employees, attorneys, stockholders, successors, assigns and affiliates, of and from any and all claims, liabilities, demands, obligations, promises, acts, agreements, causes of action, costs, expenses, attorneys fees, damages, indemnities and obligations of every kind and nature, in law, equity, or otherwise, known and unknown, suspected and unsuspected, disclosed and undisclosed, arising out of or in any way related to agreements, events, acts or conduct at any time prior to the day prior to execution of this Agreement that arose out of or were related to the Executive's employment with the Company or the Executive's termination of employment with the Company including, but not limited to, any and all claims or demands pursuant to Title VII of the Civil Rights Act of 1964 as amended by the Civil Rights Act of 1991, which prohibits discrimination in employment based on race, color, national origin, religion or sex; the Civil Rights Act of 1866, 42 U.S.C. §2000e, et seq., 42 U.S.C. §1981, 1983 and 1985, which prohibits violations of civil rights; the Equal Pay Act of 1963, 29 U.S.C. § 206(d)(1), which prohibits unequal pay based upon gender; the Age Discrimination in Employment Act of 1967, as amended, and as further amended by the Older Workers Benefit Protection Act, 29 U.S.C. § 621, *et seq*., which prohibits age discrimination in employment; the Employee Retirement Income Security Act of 1974, as amended, 29 U.S.C. §1001, *et seq*., which protects certain employee benefits; the Americans with Disabilities Act of 1990, as amended, 42 U.S.C. § 12101, *et seq*. and the Rehabilitation Act of 1973, which prohibit discrimination against the disabled; the Family and Medical Leave Act of 1993, as amended 29 U.S.C. § 2601, *et seq*., which provides medical and family leave; the federal Worker Adjustment and Retraining Notification Act (as amended) and similar laws in other jurisdictions; the Oklahoma Anti-Discrimination Act, Okla. Stat., tit. 25, §§ 1101, *et seq*., the Fair Labor Standards Act, 29 U.S.C. § 201, *et seq*., including the Wage and Hour Laws relating to payment of wages, including, but not limited to, vacation pay, commissions, and bonuses; and all other federal, state or local laws or regulations prohibiting employment discrimination and/or governing the payment of wages,

benefits, and other forms of compensation, and any claims for wrongful discharge, breach of contract, breach of the implied covenant of good faith and fair dealing, fraud, discrimination, harassment, defamation, infliction of emotional distress, termination in violation of public policy, retaliation, including workers' compensation retaliation under state statutes, tort law; contract law; wrongful discharge; discrimination; fraud; libel; slander; defamation; harassment; emotional distress; breach of the implied covenant of good faith and fair dealing; or claims for retaliation, or other claims arising under any local, state or federal regulation, statute or common law. This Release does not apply to the payment of any and all benefits and/or monies earned, accrued, vested or otherwise owing, if any, to the Executive under the terms of a Company sponsored tax qualified retirement or savings plan, except that the Executive hereby releases and waives any claims that his termination was to avoid payment of such benefits or payments, and that, as a result of his termination, he is entitled to additional benefits or payments. Additionally, this Release does not apply to any of Executive's rights or obligations with respect to indemnification or directors' and officers' liability coverage to which Executive is entitled or subject in his capacity as a former officer or employee of the Company. This Release does not apply to any claim or rights which might arise out of the actions of the Company after the date the Executive signs this Agreement. Further, notwithstanding anything herein to the contrary, nothing herein or otherwise shall release the Company from any claims, rights or damages that may not be released or waived as a matter of law.

2. No Inducement. Executive agrees that no promise or inducement to enter into this Agreement has been offered or made except as set forth in this Agreement, that the Executive is entering into this Agreement without any threat or coercion and without reliance or any statement or representation made on behalf of the Company or by any person employed by or representing the Company, except for the written provisions and promises contained in this Agreement.

3. Damages. The parties agree that damages incurred as a result of a breach of this Agreement will be difficult to measure. It is, therefore, further agreed that, in addition to any other remedies, equitable relief will be available in the case of a breach of this Agreement. It is also agreed that, in the event Executive files a claim against the Company with respect to a claim released by Executive herein (other than a proceeding before the EEOC), the Company may withhold, retain, or require reimbursement of all or any portion of the benefits and severance payments under the Severance Agreement until such claim is withdrawn by Executive.

4. Advice of Counsel; Time to Consider; Revocation. Executive acknowledges the following:

(a) Executive has read this Agreement, and understands its legal and binding effect. Executive is acting voluntarily and of Executive's own free will in executing this Agreement.

(b) Executive has been advised to seek and has had the opportunity to seek legal counsel in connection with this Agreement.

(c) Executive was given at least 21 days to consider the terms of this Agreement before signing it.

Executive understands that, if Executive signs this Agreement, Executive may revoke it within seven days after signing it by delivering written notification of intent to revoke within that seven day period. Executive understands that this Agreement will not be effective until after the seven-day period has expired.

5. Severability. If all or any part of this Agreement is declared by any court or governmental authority to be unlawful or invalid, such unlawfulness or invalidity shall not invalidate any other portion of this Agreement. Any section or a part of a section declared to be unlawful or invalid shall, if possible, be construed in a manner which will give effect to the terms of the section to the fullest extent possible while remaining lawful and valid.

6. Amendment. This Agreement shall not be altered, amended, or modified except by written instrument executed by the Company and the Executive. A waiver of any portion of this Agreement shall not be deemed a waiver of any other portion of this Agreement.

7. Counterparts. This Agreement may be executed in several counterparts, each of which shall be deemed to be an original, but all of which together will constitute one and the same instrument.

8. Headings. The headings of this Agreement are not part of the provisions hereof and shall not have any force or effect.

9. Rules of Construction. Reference to a specific law shall include such law, any valid regulation promulgated thereunder, and any comparable provision of any future legislation amending, supplementing or superseding such section.

10. Applicable Law. The provisions of this Agreement shall be interpreted and construed in accordance with the laws of the State of Oklahoma without regard to its choice of law principles.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the dates specified below.

[EXECUTIVE]

____

Date: ________________

SemGroup Corporation, acting on behalf of itself and its Subsidiaries and Affiliates

By: ______________________

Title: _____________________

Date: _____________________

ACKNOWLEDGMENT

I HEREBY ACKNOWLEDGE that SemGroup Corporation (the "Company"), in accordance with the Age Discrimination in Employment Act of 1967, as amended by the Older Workers Benefit Protection Act of 1990, informed me in writing that:

(1) I should consult with an attorney before signing the Waiver and Release Agreement ("Agreement") that was provided to me.

(2) I may review the Agreement for a period of up to 21 days prior to signing the Agreement. If I choose to take less than 21 days to review the Agreement, I do so knowingly, willingly and on advice of counsel.

(3) For a period of seven days following the signing of the Agreement, I may revoke the Agreement, and that the Agreement will not become effective or enforceable until the seven day revocation period has elapsed.

(4) The Company shall not accept my signed Agreement prior to the last day of my employment.

I HEREBY FURTHER ACKNOWLEDGE receipt of this Agreement on the ____ day of _____, 20_____.

WITNESS:

________________________________ ______________________________________
Executive

SEMGROUP CORPORATION
Subsidiaries

Entity	Place of Incorporation/Organization
SemGroup Holdings G.P., L.L.C.	Delaware
SemGroup Holdings, L.P.	Delaware
SemOperating G.P., L.L.C.	Oklahoma
SemCap, L.L.C.	Oklahoma
SemGroup Asia, L.L.C.	Delaware
SemManagement, L.L.C.	Delaware
SemStream, L.P.	Delaware
SemGroup Subsidiary Holding, L.L.C.	Delaware
Alpine Holding, LLC	Oklahoma
Rose Rock Midstream Operating, LLC	Delaware
Rose Rock Midstream Energy GP, LLC	Delaware
Rose Rock Finance Corporation	Delaware
Rose Rock Midstream Field Services, LLC	Delaware
Rose Rock Midstream Crude, L.P.	Delaware
SemCrude Pipeline, L.L.C.	Delaware
Wattenberg Holding, LLC	Oklahoma
Eaglwing, L.P.	Oklahoma
SemDevelopment, L.L.C.	Delaware
Rocky Cliffs Pipeline, L.L.C.	Delaware
Glass Mountain Holding, LLC	Oklahoma
SemFuel, L.P.	Texas
SemFuel Transport, LLC	Wisconsin
SemProducts, L.L.C.	Oklahoma
SemGas, L.P.	Oklahoma
SemKan, L.L.C.	Oklahoma
SemGas Gathering, L.L.C.	Oklahoma
SemGas Storage, L.L.C.	Oklahoma
Greyhawk Gas Storage Company, L.L.C.	Delaware
Steuben Development Company, LLC	Delaware
Grayson Pipeline, L.L.C.	Oklahoma
Mid-America Midstream Gas Services, L.L.C.	Oklahoma
SemCanada, L.P.	Oklahoma
SemCanada Crude Company	Nova Scotia
SemCanada II, L.P.	Oklahoma
SemCAMS ULC	Nova Scotia
SemCAMS Redwillow ULC	Nova Scotia
SemGreen, L.P.	Delaware
SemBio, L.L.C.	Delaware
SemMaterials, L.P.	Oklahoma
New Century Transportation LLC	Delaware
K.C. Asphalt, L.L.C.	Colorado
SemTrucking, L.P.	Oklahoma
SemMexico, L.L.C.	Oklahoma

SemMexico Materials HC S. de R.L. de C.V.	Mexico
SemMaterials HC Mexico S. de R.L. de C.V.	Mexico
SemMaterials Mexico S. de R.L. de C.V.	Mexico
SemMaterials SC Mexico S. de R.L. de C.V.	Mexico
SemGroup Europe Holding L.L.C.	Delaware
SemEuro Limited	United Kingdom
SemLogistics Milford Haven Limited	United Kingdom
SemGroup Netherlands B.V.	The Netherlands
Maurepas Pipeline, LLC	Delaware
Maurepas Holding, LLC	Oklahoma
SemGroup Energy S. de R.L. de C.V.	Mexico
SemGroup Mexico S. de R.L. de C.V.	Mexico
SemEnergy S. de R.L. de C.V.	Mexico
Beachhead Holdings LLC	Delaware
Beachhead I LLC	Delaware
Beachhead II LLC	Delaware
Buffalo Parent Gulf Coast Terminals LLC	Delaware
Buffalo Gulf Coast Terminals LLC	Delaware
HFOTCO LLC	Texas

EXHIBIT 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We have issued our reports dated February 26, 2018, with respect to the consolidated financial statements and internal control over financial reporting included in the Annual Report of SemGroup Corporation on Form 10-K for the year ended December 31, 2107. We consent to the incorporation by reference of said reports in the Registration Statements of SemGroup Corporation on Forms S-3 (File No. 333-210044 and File No. 333-220946), on Forms S-8 (File No. 333-170968, File No. 333-189905, and File No. 333-214561) and on Forms S-4 (File No. 333-222464 and File No. 333-222473).

/s/ GRANT THORNTON LLP

Tulsa, Oklahoma
February 26, 2018

EXHIBIT 23.2

CONSENT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

We have issued our report dated February 26, 2018, with respect to the financial statements of White Cliffs Pipeline, L.L.C. included in the Annual Report of SemGroup Corporation on Form 10-K for the year ended December 31, 2017. We consent to the incorporation by reference of said report in the Registration Statements of SemGroup Corporation on Forms S-3 (File No. 333-210044 and File No. 333-220946), on Forms S-8 (File No. 333-170968, File No. 333-189905, and File No. 333-214561) and on Forms S-4 (File No. 333-222464 and File No. 333-222473).

/s/ GRANT THORNTON LLP

Tulsa, Oklahoma
February 26, 2018

EXHIBIT 23.3

Consent of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders
SemGroup Corporation

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (File Nos. 333-170968, 333-189905 and 333-214561), Form S-3 (File Nos. 333-210044 and 333-220946) and Form S-4 (File Nos. 333-222464 and 333-222473) of SemGroup Corporation of our report dated February 24, 2017, relating to the 2016 and 2015 consolidated financial statements, which appears in this Annual Report on Form 10-K.

/s/ BDO USA, LLP
Dallas, Texas
February 26, 2018

EXHIBIT 23.4

Consent of Independent Auditor

The Board of Directors and Shareholders
SemGroup Corporation

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (File Nos. 333-170968, 333-189905 and 333-214561), Form S-3 (File Nos. 333-210044 and 333-220946) and Form S-4 (File Nos. 333-222464 and 333-222473) of SemGroup Corporation of our report dated February 24, 2017, relating to the 2016 and 2015 financial statements of White Cliffs Pipeline, L.L.C., which appears in Exhibit 99.1 in this Annual Report on Form 10-K.

/s/ BDO USA, LLP
Dallas, Texas
February 26, 2018

EXHIBIT 31.1

CERTIFICATION PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002

I, Carlin G. Conner, certify that:

1. I have reviewed this annual report on Form 10-K of SemGroup Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 26, 2018

/s/ Carlin G. Conner

Carlin G. Conner
President and Chief Executive Officer

EXHIBIT 31.2

CERTIFICATION PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002

I, Robert N. Fitzgerald, certify that:

1. I have reviewed this annual report on Form 10-K of SemGroup Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 26, 2018

/s/ Robert N. Fitzgerald

Robert N. Fitzgerald
Senior Vice President and Chief Financial Officer

EXHIBIT 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the annual report of SemGroup Corporation (the “Company”) on Form 10-K for the year ended December 31, 2017, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Carlin G. Conner, President and Chief Executive Officer of the Company, hereby certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 26, 2018

/s/ Carlin G. Conner

Carlin G. Conner
President and Chief Executive Officer

EXHIBIT 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the annual report of SemGroup Corporation (the “Company”) on Form 10-K for the year ended December 31, 2017, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Robert N. Fitzgerald, Senior Vice President and Chief Financial Officer of the Company, hereby certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 26, 2018

/s/ Robert N. Fitzgerald

Robert N. Fitzgerald
Senior Vice President and
Chief Financial Officer

Index to White Cliffs Pipeline, L.L.C. Financial Statements

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Members
White Cliffs Pipeline, L.L.C.

We have audited the accompanying financial statements of White Cliffs Pipeline, L.L.C (a Delaware limited liability company), which comprise the balance sheets as of December 31, 2017, and the related statement of operations, changes in members' equity, and cash flows for the year then ended, and the related notes to the financial statements.

Management's responsibility for the financial statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of White Cliffs Pipeline, L.L.C. as of December 31, 2017, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

/s/ GRANT THORNTON LLP

Tulsa, Oklahoma
February 26, 2018

Independent Auditor's Report

To the Members
White Cliffs Pipeline, L.L.C.
Tulsa, Oklahoma

We have audited the accompanying financial statements of White Cliffs Pipeline, L.L.C., which comprise the balance sheet as of December 31, 2016, and the related statements of operations, changes in members' equity and cash flows for each of the two years in the period then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of White Cliffs Pipeline, L.L.C., as of December 31, 2016, and the results of its operations and its cash flows for each of the two years in the period then ended in accordance with accounting principles generally accepted in the United States of America.

/s/ BDO USA, LLP

Dallas, Texas
February 24, 2017

WHITE CLIFFS PIPELINE, L.L.C.
Balance Sheets
(In thousands, except unit amounts)

	December 31, 2017	December 31, 2016
ASSETS		
Current assets:		
Cash and cash equivalents	$ 7,078	$ 4,672
Accounts receivable	13,028	16,103
Receivable from affiliate	4,149	5,261
Inventories	768	7,743
Other current assets	945	942
Total current assets	25,968	34,721
Property, plant and equipment, net	480,327	508,043
Goodwill	17,000	17,000
Other intangible assets (net of accumulated amortization of $48,476 and $45,504 at December 31, 2017 and 2016, respectively)	5,524	8,496
Other noncurrent assets, net	5	13
Total assets	$ 528,824	$ 568,273
LIABILITIES AND MEMBERS' EQUITY		
Current liabilities:		
Accounts payable	$ 41	$ 843
Payable to affiliate	478	4,172
Accrued liabilities	5,986	10,797
Total current liabilities	6,505	15,812
Commitments and contingencies (Note 5)		
Members' equity (240,610 units at December 31, 2017 and 2016)	522,319	552,461
Total liabilities and members' equity	$ 528,824	$ 568,273

The accompanying notes are an integral part of these financial statements.

WHITE CLIFFS PIPELINE, L.L.C.
Statements of Operations
(In thousands)

	Year Ended December 31, 2017	Year Ended December 31, 2016	Year Ended December 31, 2015
Revenues	$ 188,418	$ 212,359	$ 206,395
Expenses:			
Costs of products sold, exclusive of depreciation and amortization shown below	10,987	3,223	2,913
Operating	20,608	33,924	28,835
General and administrative	1,979	1,748	1,535
Depreciation and amortization	37,212	35,439	34,105
Total expenses	70,786	74,334	67,388
Operating income	117,632	138,025	139,007
Other expenses (income), net	40	(7)	7
Net income	$ 117,592	$ 138,032	$ 139,000

The accompanying notes are an integral part of these financial statements.

WHITE CLIFFS PIPELINE, L.L.C.
Statements of Changes in Members' Equity
(In thousands)

	Members' Equity
Balance at December 31, 2014	$ 528,737
Net income	139,000
Distributions to members	(171,584)
Contributions from members	86,489
Balance at December 31, 2015	582,642
Net income	138,032
Distributions to members	(174,194)
Contributions from members	5,981
Balance at December 31, 2016	552,461
Net income	117,592
Distributions to members	(151,982)
Contributions from members	4,248
Balance at December 31, 2017	$ 522,319

The accompanying notes are an integral part of these financial statements.

WHITE CLIFFS PIPELINE, L.L.C.
Statements of Cash Flows
(In thousands)

	Year Ended December 31, 2017	Year Ended December 31, 2016	Year Ended December 31, 2015
Cash flows from operating activities:			
Net income	$ 117,592	$ 138,032	$ 139,000
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	37,212	35,439	34,105
Inventory valuation adjustment	133	—	640
Loss on disposal of long-lived assets	—	—	60
Changes in operating assets and liabilities:			
Decrease (increase) in accounts receivable	3,075	9,186	(8,675)
Decrease (increase) in receivable from affiliate	1,112	(4,347)	246
Decrease (increase) in inventories	6,842	(5,198)	(948)
Decrease (increase) in other assets	5	(35)	(223)
Increase (decrease) in accounts payable and accrued liabilities	(5,113)	2,572	5,229
Increase (decrease) in payable to affiliate	(3,694)	3,999	11
Net cash provided by operating activities	157,164	179,648	169,445
Cash flows from investing activities:			
Capital expenditures	(7,024)	(31,186)	(74,835)
Net cash used in investing activities	(7,024)	(31,186)	(74,835)
Cash flows from financing activities:			
Distributions to members	(151,982)	(174,194)	(171,584)
Contributions from members	4,248	5,981	86,489
Net cash used in financing activities	(147,734)	(168,213)	(85,095)
Net increase (decrease) in cash and cash equivalents	2,406	(19,751)	9,515
Cash and cash equivalents at beginning of period	4,672	24,423	14,908
Cash and cash equivalents at end of period	$ 7,078	$ 4,672	$ 24,423

The accompanying notes are an integral part of these financial statements.

1. OVERVIEW

White Cliffs Pipeline, L.L.C. ("White Cliffs") is a Delaware limited liability company. White Cliffs owns two parallel 12-inch common carrier, crude oil pipelines running 527 miles with origination points in Platteville, Colorado and Healy, Kansas and a termination point in Cushing, Oklahoma.

SemGroup Corporation ("SemGroup") operates White Cliffs and owns a 51% interest. SemGroup accounts for White Cliffs under the equity method, as the other members have substantive rights to participate in the management of White Cliffs.

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts and disclosures in the financial statements. Although management believes these estimates are reasonable, actual results could differ materially from these estimates.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

CASH AND CASH EQUIVALENTS—Cash includes currency on hand and demand and time deposits with banks or other financial institutions. Cash equivalents include highly liquid investments with maturities of three months or less at the date of purchase. Balances at financial institutions may exceed federally insured limits.

ACCOUNTS RECEIVABLE - Accounts receivable are reported net of the allowance for doubtful accounts. White Cliffs' assessment of the allowance for doubtful accounts is based on several factors, including the overall creditworthiness of its customers, existing economic conditions, and the amount and age of past due accounts. Receivables are considered past due if full payment is not received by the contractual due date. Past due accounts are written off against the allowance for doubtful accounts only after all collection attempts have been exhausted. The allowance for doubtful accounts was $0 at December 31, 2017 and 2016.

INVENTORIES—Inventories primarily consist of crude oil. Inventories are valued at the lower of cost or net realizable value, with cost generally determined using the weighted-average method. The cost of inventory includes applicable transportation costs. During the years ended December 31, 2017 and 2015, White Cliffs recorded $0.1 million and $0.6 million, respectively, of non-cash adjustments to reduce the carrying value of inventory to the lower of cost or net realizable value. No adjustments were necessary in 2016.

PROPERTY, PLANT AND EQUIPMENT - Property, plant and equipment is recorded at cost. White Cliffs capitalizes costs that extend or increase the future economic benefits of property, plant and equipment, and expenses maintenance costs that do not. When assets are disposed of, their cost and related accumulated depreciation are removed from the balance sheet, and any resulting gain or loss is recorded within operating expenses in the statements of operations.

Depreciation is calculated primarily on the straight-line method over the following estimated useful lives:

Pipelines and related facilities	20 years
Storage and terminal facilities	10 –25 years
Other property and equipment	3 – 15 years

GOODWILL – White Cliffs tests goodwill for impairment each year as of October 1, or more often if circumstances warrant, by estimating the fair value of the reporting unit to which the goodwill relates and comparing this fair value to the net book value of the asset group. White Cliffs has a single reporting unit. If fair value is less than net book value, White Cliffs reduces the book value accordingly and records a corresponding impairment loss.

For the October 1, 2017 goodwill impairment test, White Cliffs developed estimates of cash flows for the next nine years, and also developed an estimated terminal value. White Cliffs discounted the estimated cash flows to present value using a rate of 9%. No impairment was recorded for the period.

IMPAIRMENT OF LONG-LIVED ASSETS – White Cliffs tests long-lived asset groups for impairment when events or circumstances indicate that the net book value of the asset group may not be recoverable. White Cliffs tests an asset group for impairment by estimating the undiscounted cash flows expected to result from its use and eventual disposition. If the estimated undiscounted cash flows are lower than the net book value of the asset group, White Cliffs then estimates the fair value of the asset group and records a reduction to the net book value of the assets and a corresponding impairment loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

CONTINGENT LOSSES – White Cliffs records a liability for a contingent loss when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated. White Cliffs records attorneys' fees incurred in connection with a contingent loss at the time the fees are incurred, and does not record liabilities for attorneys' fees that are expected to be incurred in the future.

ASSET RETIREMENT OBLIGATIONS – Asset retirement obligations include legal or contractual obligations associated with the retirement of long-lived assets, such as requirements to incur costs to dispose of equipment or to remediate the environmental impacts of the normal operation of the assets. White Cliffs records liabilities for asset retirement obligations when a known obligation exists under current law or contract and when a reasonable estimate of the value of the liability can be made.

REVENUE RECOGNITION – Revenue for the transportation of product is recognized upon delivery of the product to its destination.

LINE LOSS DEDUCTIONS AND INVENTORY – The White Cliffs tariff allows White Cliffs to retain a pipeline loss allowance ("PLA") in the amount of two-tenths of one percent of any customer product placed in the system. The PLA is intended to compensate for expenses associated with product shrinkage and evaporation. If the PLA exceeds the actual amount of product loss, White Cliffs is entitled to sell the product overage for its own gain. The PLA is recorded to revenue and inventory in the month in which the shipment occurs. Gains or losses resulting from actual product overages or shortages are also recorded to costs of products sold and inventory during the month the overage or shortage occurs.

White Cliffs recorded $3.6 million, $3.3 million and $3.5 million of revenue related to PLA during the years ended December 31, 2017, 2016 and 2015, respectively. White Cliffs recorded $0.1 million, $0.1 million and $2.3 million of costs of products sold related to actual product shortages for the years ended December 31, 2017, 2016 and 2015, respectively. During the years ended December 31, 2017 and 2016, White Cliffs sold $11.9 million and $4.8 million of inventory to and purchased $11.0 million and $5.0 million of inventory from SemGroup.

INCOME TAXES - White Cliffs is a pass-through entity for federal and state income tax purposes. Its earnings are allocated to its members, who are responsible for any related income taxes. Because of this, no provision for income taxes is reported in the accompanying financial statements.

SUBSEQUENT EVENTS - White Cliffs has evaluated subsequent events for accrual or disclosure in these financial statements through February 26, 2018, which is the date these financial statements were available to be issued.

3. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consists of the following (in thousands):

	December 31, 2017	December 31, 2016
Land	$ 31,770	$ 31,770
Pipelines and related facilities	600,837	588,206
Storage and terminal facilities	1,830	1,830
Other property and equipment	3,669	3,550
Construction-in-progress	10,227	16,452
Property, plant and equipment, gross	648,333	641,808
Accumulated depreciation	(168,006)	(133,765)
Property, plant and equipment, net	$ 480,327	$ 508,043

White Cliffs recorded depreciation expense of $34.2 million, $31.9 million and $30.0 million for the years ended December 31, 2017, 2016 and 2015, respectively. Property, plant and equipment includes accruals for construction costs incurred but not yet paid of $0.5 million and $0.8 million at December 31, 2016 and 2015, respectively. No amounts were incurred but not yet paid at December 31, 2017.

4. OTHER INTANGIBLE ASSETS

Other intangible assets consist of customer relationships. They are generally amortized on an accelerated basis over the estimated period of benefit and may be subject to impairments in the future if White Cliffs is unable to maintain the relationships with the customers to which the assets relate. The following table shows the changes in the other intangible asset balances (in thousands):

Balance, December 31, 2014	$	16,043
Amortization		(4,069)
Balance, December 31, 2015		11,974
Amortization		(3,478)
Balance, December 31, 2016		8,496
Amortization		(2,972)
Balance, December 31, 2017	$	5,524

White Cliffs estimates that future amortization of other intangible assets will be as follows (in thousands):

For the year ending:		
December 31, 2018	$	2,541
December 31, 2019		1,133
December 31, 2020		748
December 31, 2021		468
December 31, 2022		268
Thereafter		366
Total estimated amortization expense	$	5,524

5. COMMITMENTS AND CONTINGENCIES

Environmental

White Cliffs may from time to time experience leaks of petroleum products from its facilities, as a result of which it may incur remediation obligations or property damage claims. In addition, White Cliffs is subject to numerous environmental regulations. Failure to comply with these regulations could result in the assessment of fines or penalties by regulatory authorities.

Asset retirement obligations

White Cliffs may be subject to removal and restoration costs upon retirement of our facilities. However, White Cliffs is unable to predict when, or if, its pipelines, storage tanks and related facilities would become completely obsolete and require decommissioning. Accordingly, White Cliffs has not recorded a liability or corresponding asset, as both the amount and timing of such potential future costs are indeterminable.

Other matters

White Cliffs is a party to various other claims, legal actions, and complaints arising in the ordinary course of business. In the opinion of management, the ultimate resolution of these claims, legal actions, and complaints, after consideration of amounts accrued, insurance coverage, and other arrangements, will not have a material adverse effect on White Cliffs’ financial position, results of operations or cash flows. However, the outcome of such matters is inherently uncertain, and estimates of consolidated liabilities may change materially as circumstances develop.

Leases

White Cliffs has entered into operating lease agreements for storage tanks with SemGroup. Future minimum payments required under operating leases that have initial or remaining non-cancellable lease terms in excess of one year at December 31, 2017, are as follows (in thousands):

Years ending:		
December 31, 2018	$	2,700
December 31, 2019		2,088
December 31, 2020		187
December 31, 2021		—
December 31, 2022		—
Thereafter		—
Total future minimum lease payments	$	4,975

White Cliffs recorded lease and rental expenses of $4.4 million, $4.5 million and $4.6 million for the years ended December 31, 2017, 2016 and 2015, respectively.

6. RELATED PARTY TRANSACTIONS

During the years ended December 31, 2017, 2016 and 2015, White Cliffs generated service revenues from its owners in the amounts of $140.4 million, $171.5 million and $184.4 million, respectively. During the years ended December 31, 2017 and 2016, White Cliffs sold crude oil to its owners in the amount of $11.9 million and $4.8 million, respectively. There were no crude oil sales to its owners during the years ended December 31, 2015. During the years ended December 31, 2017 and 2016, White Cliffs purchased crude oil from its owners in the amounts of $11.0 million and $5.0 million, respectively. There were no purchases from its owners during the year ended December 31, 2015. White Cliffs has storage and management services agreements with SemGroup. White Cliffs paid $4.9 million, $4.8 million and $4.8 million for such services during the years ended December 31, 2017, 2016 and 2015, respectively.

During the year ended December 31, 2015, White Cliffs generated revenues from its affiliates in the amount of $3.2 million. There were no revenues from affiliates during the years ended December 31, 2017 or 2016.

SemGroup incurs certain general and administrative expenses on behalf of White Cliffs for which the other owners of White Cliffs are not responsible. White Cliffs records the expense and a corresponding member contribution from SemGroup, since White Cliffs is not required to reimburse SemGroup for these expenses. White Cliffs recorded $1.5 million, $1.6 million and $1.3 million of such general and administrative expense during the years ended December 31, 2017, 2016 and 2015, respectively.